

# **Office of the Inspector General**

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## **Office of Audit**

### *Annual Audit Plan Fiscal Year 2001*



*November 2000*

## Mission Statement and Vision

We improve the Social Security Administration's programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, investigations, and evaluations.

By conducting independent and objective audits, investigations, and evaluations, we act as agents of positive change striving for continuous improvement in SSA programs, operations and management, and in our own office. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public (our stakeholders).

# **Office of the Inspector General**

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## **Office of Audit**

*Annual Audit Plan*  
*Fiscal Year 2001*



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# Acronyms

For purposes of this Audit Plan, the following acronyms will be used.

FY

Fiscal Year

OIG

Office of the Inspector General

SSA

Social Security Administration

SSN

Social Security Number

# Executive Overview

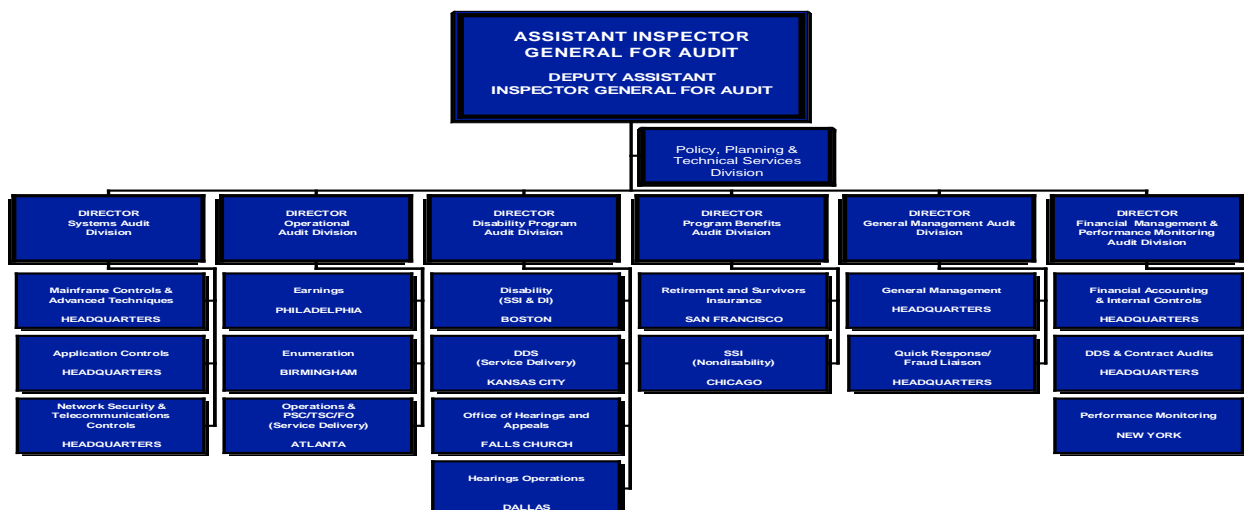
**S**ocial Security is the most successful domestic program in the Nation's history and arguably the single most effective anti-poverty program ever created. Since its creation in 1935, SSA has become an indispensable part of the American way of life. In FY 2001, the Government will collect over \$500 billion in Social Security contributions. SSA administers three major programs: the Old-Age and Survivors Insurance and Disability Insurance programs, commonly known as "Social Security," and the Supplemental Security Income program.

The OIG was created in 1995 under the authorization of the Inspector General Act. The OIG is comprised of the Offices of Audit (OA), Investigations, Counsel to the Inspector General, and Executive Operations. The OIG is empowered with the independence to determine which reviews to perform, access to all information necessary for reviews, and authority to publish findings and recommendations based on the results of our reviews. The OIG's goal is to promote economy and efficiency within SSA's programs by preventing and detecting fraud, waste, and abuse.

OA ensures the objectives of SSA's programs are being achieved and identifies which programs or activities need to be performed more efficiently. To meet this goal, OA conducts comprehensive audits and evaluations of SSA's programs and operations. Our short-term management and program evaluations focus on issues of concern to SSA, the Congress, and the public. These evaluations provide timely, useful, and reliable information and advice to decisionmakers. Their findings and recommendations generate rapid, accurate, and up-to-date information on the efficiency, vulnerability, and effectiveness of SSA's programs. The evaluations result in improvements in the quality of service provided to clients and the laws and regulations governing the programs.

OA is headed by the Assistant Inspector General for Audit (AIGA) and a Deputy (DAIGA). Seven Directors report to the AIGA and DAIGA. These Directors are assigned an issue area that focuses on one of SSA's core business processes (see organizational chart below). The Directors advise the AIGA and DAIGA on the major risks facing their assigned issue area and propose reviews based on perceived risks.

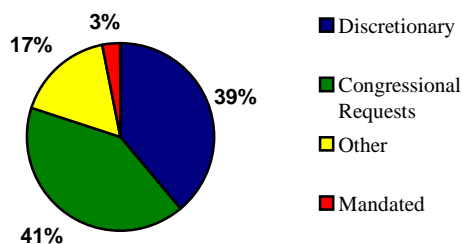
## Social Security Administration Office of the Inspector General Office of Audit



# Annual Audit Plan

Our Annual Audit Plan (Plan) is a tool for communicating our audit priorities to SSA, the Congress, the Office of Management and Budget, and other interested parties. Many of the activities described in the Plan address the fundamental goals related to SSA's mission to administer the Social Security programs effectively and efficiently. In preparing the Plan, we prioritize reviews to focus on the programs and activities most vulnerable to fraud and abuse. To further develop Plan items and conduct audits/evaluations, we coordinate closely with the Offices of Investigations and Counsel to the Inspector General to identify, refer, and support each other's work. We also obtain ideas and suggestions from a variety of sources (see Chart below).

**Chart: Sources**



Each year, the OIG issues a list of the top 10 issues facing SSA management. This Plan describes 80 reviews we intend to complete in FY 2001 in the following top 10 issue areas.

1. Critical Information Infrastructure
2. Disability Redesign
3. Earnings Suspense File
4. Enumeration
5. Fraud Risk
6. Government Performance and Results Act
7. Identity Theft
8. Representative Payee
9. Service to the Public
10. Systems Security and Controls

In addition, we describe 54 reviews we will begin in FY 2001. In preparing this Plan, we solicited suggestions from SSA's Evaluation Workgroup to ensure our Plan appropriately addresses all areas vulnerable to fraud and abuse or would assist SSA in achieving its key service delivery goals. We received many important suggestions for inclusion in our Plan. We have incorporated many of those suggestions into this document as planned audits/evaluations, and those not included will be addressed as we add staff and as scheduling permits.

We recognize this Plan is dynamic, so we encourage continuous feedback and additional study suggestions. This flexibility enables us to meet emerging and critical issues evolving throughout the upcoming year.

## Issue Area

### 1

# Critical Information Infrastructure

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*SSA's current information security challenge is to understand system vulnerabilities and how to mitigate them.*

As technology advances and our reliance on technology increases, the need for a strong information infrastructure becomes more important. Along with the explosive growth in computer interconnectivity comes, the ability to disrupt or sabotage critical operations, read or copy sensitive data, and tamper with critical processes. SSA's current information security challenge is to understand system vulnerabilities and how to mitigate them. At SSA, this means making sure critical information infrastructure, such as the Internet, is secure. System security will allow SSA to use current and future technology to fulfill customer needs.

Many challenges exist in obtaining and maintaining a secure critical information infrastructure. One of these challenges is the rising expectations of SSA's customers. SSA's customers expect SSA to provide service comparable to private industry. This can only be accomplished by keeping current with technological changes.

Our audit and oversight work has disclosed numerous weaknesses with SSA's critical information infrastructure efforts. We recently audited SSA's Systems Security Program, systems security software, suitability process, and Intelligent Work Station/Local Area Network. A few of our audit findings indicated SSA did not show it reviews sensitive systems timely, terminate access to critical processes when access is no longer needed, or consistently perform required background checks of systems employees. Each year, we monitor a public accounting firm's audit coverage of certain critical systems and applications. The firm's findings have included the need for SSA to strengthen system password requirements and establish a security program for its Internet environment. We also sit on several critical infrastructure protection workgroups and committees to provide guidance and monitor the Agency's progress in this area.

In January 2000, the White House released the National Plan for Information Systems Protection, revealing Federal efforts to protect the Nation's information systems and critical assets from future attacks.

In FY 2001, we will complete four reviews and begin two reviews that address SSA's compliance with the National Plan.



We will complete the following reviews in FY 2001

Effective Implementation of Windows NT Security	A-1
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Effective Use of Encryption Technology to Protect the Social Security Administration's Information Assets	A-2
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Medical Evidence of Record Collection Process at State Disability Determination Services	A-3
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Review of the Clinger-Cohen Act for the Social Security Administration's Compliance	A-4
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We will begin the following reviews in FY 2001

Internal Controls in the Social Security Administration's Debt Management System

The Social Security Administration's Capability Maturity Model Process for Systems Development

# **Effective Implementation of Windows NT Security**

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## **Planned Start**

1<sup>st</sup> Quarter FY 2001

## **Objective**

To evaluate the effectiveness of SSA's implementation of the Windows NT operating system as a security measure for servers and workstations in SSA's distributed environment.

## **Background**

With SSA's migration to the Intelligent Workstation/Local Area Network environment, SSA has selected the Windows NT operating system commercial off-the-shelf product to enhance the security of information resources. The Windows NT operating system must be configured to maintain optimum security effectiveness and efficiency.

It is imperative that controls over the protection of access to resources be effective because of the sensitivity of the information processed within SSA; increasing dependence on the Intelligent Workstation/Local Area Network environment; newness of the Windows NT product on the market and number of security problems reported; and complexity of proper security configuration of the Windows NT product.

# Effective Use of Encryption Technology to Protect the Social Security Administration's Information Assets

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## Planned Start

Carry Over

## Objective

To determine whether SSA is complying with established guidance for the use of encryption and cryptographic models to protect the transmission of sensitive information throughout its Agency-wide network.

## Background

SSA's distributed processing environment demands sensitive beneficiary information be transmitted over telecommunication lines. If transmissions are not adequately protected, unauthorized individuals may intercept and monitor them, compromising information confidentiality and possibly information integrity and availability if system passwords are intercepted.

A key method of protecting transmissions is using cryptographic tools in conjunction with logical access controls to render data unintelligible to unauthorized users and/or help protect the integrity of transmitted or stored data. Especially useful in network environments, their use will increase to include providing electronic signatures that help show the integrity of files and the authenticity of messages.

The Computer Security Act of 1987 requires the cost-effective security and privacy of sensitive information and designates the National Institute of Standards and Technology (NIST) as the authority for recommending acceptable levels and methods of information protection. To prevent unauthorized disclosure, NIST recommends that Federal agencies use encryption to protect sensitive information that is transmitted over a public switched communications network, such as the Internet. When encryption is employed, the Federal agency must comply with NIST-approved standards for this technology. NIST issued Federal Information Processing Standards 46-3, *Data Encryption Standard*; 74, *Guidelines for Implementing and Using the NBS Data Encryption Standard*; and 140-1, *Security Requirements for Cryptographic Modules*, to implement effective encryption technology.

# **Medical Evidence of Record Collection Process at State Disability Determination Services**

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## **Planned Start**

Carry Over

## **Objective**

To review the medical evidence of record (MER) collection process at State Disability Determination Services (DDS) and assess DDSs ability to provide SSA with management data.

## **Background**

In making disability determinations, DDSs obtain and review the MER from claimants' treating sources. The MER includes, but is not limited to, copies of laboratory reports, prescriptions, x-rays, ancillary tests, operative and pathology reports, consultative reports, and other technical information used in assessing the claimant's health condition.

SSA instructs DDSs to make every reasonable effort to obtain the MER from claimants' treating sources. SSA instructions define every reasonable effort as:

- making an initial request for MER from the treating source;
- making a follow-up request any time between 10 and 20 calendar days after the initial request if the MER has not been received; and
- allowing a minimum of 10 calendar days from the follow-up request for the treating source to respond.

If the DDS does not receive the MER within 10 calendar days from the follow-up request, the DDS can purchase a consultative examination, which is an expensive and time-consuming process.

# **Review of the Clinger-Cohen Act for the Social Security Administration's Compliance**

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## **Planned Start**

Carry Over

## **Objective**

To evaluate SSA's Information Technology (IT) System capital planning and investment control process for compliance with the Clinger-Cohen Act.

## **Background**

Congress passed the Clinger-Cohen Act in 1996. The intent of the Act is to make agency heads more accountable for their capital planning and information technology investments. Specifically, the Act requires that savings be identified and measured against the cost of the IT initiative. The General Accounting Office issued guidance in February 1997 for evaluating Federal agencies' IT investment decisionmaking. The Federal Chief Information Officer Counsel endorsed this guidance as "best practices" for implementing the Clinger-Cohen Act. The General Accounting Office guidance outlines a three-phase process for capital planning and IT investments: Selection, Control, and Evaluation. The goal of the Selection phase is to assess and prioritize current and proposed IT initiatives and create an optimal portfolio of IT initiatives. In the Control phase, after an initiative has been added to a portfolio, the initiative owners periodically assess the initiative's progress against projected cost, scheduled milestones, and expected mission benefits and decide whether to continue, modify, or cancel the initiative. The Evaluation phase provides a mechanism for constantly improving the organization's IT investment process. The goal of this phase is to compare actual data with projected data, including life-cycle costs and life-cycle returns.

## Issue Area

### 2

# Disability Redesign

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*SSA is also designing a unified quality assessment process to measure the accuracy of decisionmaking throughout the disability adjudication process.*

SSA manages two large Federal programs which pay monthly cash benefits to qualified individuals with severe disabilities—the Disability Insurance and Supplemental Security Income programs. In the 3-year period between Fiscal Years 1991 and 1993, initial claims for these benefits climbed by almost one-third—from 3 to 3.9 million. SSA began experiencing difficulty processing disability claims in a timely manner. Moreover, as many as two-thirds of claimants who filed an appeal eventually received a favorable decision at the hearing level, which indicates potential problems with either initial or appellate decisions and raises questions about the fairness and efficiency of the process. SSA determined that the only way to effectively respond to these problems was to fundamentally overhaul the process for deciding whether or not a claimant was eligible for disability benefits.

To that end, SSA embarked on an ambitious series of initiatives to improve the accuracy and customer service. Their Disability Redesign plan was issued in September 1994. With its redesign plan, SSA hoped to achieve five goals that would improve the process. The plan originally included 83 initiatives to be accomplished over 6 years. The General Accounting Office concluded in a 1996 report that SSA's plan was overly ambitious. At the time, SSA had made little progress toward meeting its goals, could not show positive results, and faced difficulty obtaining and keeping support of some stakeholders. In response, SSA issued a scaled-back redesign plan in February 1997, which focussed on eight key initiatives to be accomplished within 9 years.

SSA's current plan entitled, *Social Security and Supplemental Security Income Disability Programs: Managing for Today Planning for Tomorrow*, was issued on March 12, 1999. The plan has four broad goals: Improve the Disability Adjudication Process; Enhance Beneficiaries' Opportunities to Work; Safeguard the Integrity of Disability Programs; and Improve the Knowledge Base for the Next Century

In August 1999, SSA published plans to improve the hearings and appeals processes. SSA designed the Hearings Process Improvement and the Appeals Process Improvement plans to expedite the Office of Hearings and Appeals processes for appealed cases and to reduce backlogs.

SSA began implementation of its Electronic Disability (eDib) System in the spring of 1999. The eDib System is the Agency's technological approach to automating the disability claims process. The OIG has been periodically monitoring the Electronic Service Delivery aspects of eDib through various SSA steering committees. We plan to conduct a survey of the eDib system development to assess the system for potential vulnerabilities and to report on areas of concern. Also, as part of our continual monitoring of the eDib system, we will evaluate the system as it progresses through the various stages of development.

SSA is also designing a unified quality assessment process to measure the accuracy of decisionmaking throughout the disability adjudication process. We will assess the success of these initiatives as they are implemented.

In FY 2001, we will complete four reviews and begin three reviews in this area.

We will complete the following reviews in FY 2001

Fees Paid by State Disability Determination Services to Purchase Consultative Examinations	B-1
Field Office Processing of Disability Claims	B-2
Preliminary Assessment of the Hearings Process Improvement Plan	B-3
Status of the Social Security Administration's Disability Redesign Initiatives	B-4

We will begin the following reviews in FY 2001

Fees Paid by Disability Determination Services to Purchase Mental Impairment Related Consultative Examinations

Financial Incentives Received by State Disability Determination Services from Volume Consultative Examination Providers

Impact of Rationales on the Disability Determination Process

# **Fees Paid by State Disability Determination Services to Purchase Consultative Examinations**

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## **Planned Start**

Carry Over

## **Objective**

To review the fees paid by State Disability Determination Services (DDS) to purchase consultative examinations (CE).

## **Background**

The DDS is responsible for obtaining and reviewing medical evidence sufficient to make a determination as to whether a claimant is disabled. In making disability determinations, DDSs obtain medical evidence from the claimants' treating sources. When sufficient medical evidence does not exist or is not available, DDSs purchase CEs. CEs include medical examinations, x-rays, and laboratory tests that are obtained from an acceptable source. DDSs purchase CEs from the following medical groups:

1. individual physicians and psychologists;
2. health care facilities, such as group practices, clinics, and hospitals; and
3. providers that specialize in performing CEs.

Each State is responsible for determining the rates of payment the DDS is to use to purchase CEs. Since each State is responsible for determining its rates, the CE fees may vary greatly among DDSs. However, the rates may not exceed the highest rate paid by the Federal or State Government agencies for similar types of services. SSA reimburses the DDSs for 100 percent of the necessary costs incurred in purchasing CEs.



## **Field Office Processing of Disability Claims**

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### **Planned Start**

Carry Over

### **Objective**

To identify factors affecting the timeliness, accuracy, and completeness of disability claims sent to State Disability Determination Services by SSA field offices.

### **Background**

The disability claims process begins when an individual contacts one of SSA's approximately 1,300 field offices to apply for benefits. Field office personnel help claimants complete their applications, obtain a detailed medical and work history, and identify other non-medical eligibility factors. Field office personnel then forward the claim to 1 of 54 Disability Determination Services that are administered by the 50 States as well as the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

# **Preliminary Assessment of the Hearings Process Improvement Plan**

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## **Planned Start**

Carry Over

## **Objective**

To provide a status report on how well the Hearings Process Improvement (HPI) plan is meeting its objectives.

## **Background**

The Office of Hearings and Appeals' (OHA) initiative is a plan to make the hearing offices more productive by changing their structure and operations to reduce processing time. HPI includes the establishment of new positions, work groups, new and enhanced reports, and benchmarks for each step of the process.

Although OHA made improvements in reducing processing times before HPI, the improvements were largely attributable to provisional initiatives. HPI is intended to represent a permanent solution to OHA's workload issues. When fully implemented, HPI is expected to reduce processing times from a projected 313 days in FY 1999, to less than 200 days in FY 2002. These reductions are expected to be achieved based on improvement in:

- administrative efficiencies that will streamline case processing;
- a group-based management approach that involves structural changes in the hearings offices including skill enhancements of the staff; and
- automation and data collection, which will provide the tools for monitoring and tracking case progress through the hearings process.

The implementation of HPI involves three phases. Phase I commenced in January 2000 in 37 hearings offices. Phase II is scheduled for October 2000, and Phase III is scheduled for January 2001. During Phase I, SSA reported the 37 hearings offices were implementing all phases of the process with management and employees committed to success. SSA is also aware of the challenges of transitioning from the old way of doing business to the improved HPI plan.

# **Status of the Social Security Administration's Disability Redesign Initiatives**

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## **Planned Start**

1<sup>st</sup> Quarter FY 2001

## **Objective**

To ascertain the status of SSA's disability redesign initiatives.

## **Background**

Several process changes have been tested over the last few years as part of SSA's Disability Process Redesign efforts. In March 1999, the Commissioner of Social Security announced his decision regarding the future of redesign. The Commissioner resolved to proceed with the following redesign initiatives.

- Continue Process Unification efforts toward the goal of similar results on similar cases at all stages of the process through consistent application of laws, regulations, and rulings.
- Conduct prototype testing of certain redesign features in 10 State Disability Determination Services.
- Continue Full Process Model testing to determine whether the appeals council should be eliminated.
- Continue testing the Disability Claims Manager position.
- Establish flexible disability units at SSA's processing centers to process hearings and other disability workloads.
- Develop a uniform disability system for processing disability claims.
- Develop a uniform quality assurance system.

## Issue Area

3

# Earnings Suspense File

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*SSA's Earnings Suspense File represents a major management challenge because it continues to grow in size each year.*

SSA's Earnings Suspense File (ESF) represents a major management challenge because it continues to grow in size each year. The ESF primarily consists of wage items employers submit to SSA that are put into suspense because the name and SSN do not match validation criteria within SSA's systems. One of the major concerns regarding the ESF relates to ensuring eligible individuals receive the full amount due them in their retirement years. Another concern is the amount of resources and the additional cost required to match wage data to their proper account. Finally, the ESF is indicative of a Nation-wide problem of potential fraud and misuse that not only affects SSA programs but transcends to other Federal entities such as the Internal Revenue Service (IRS) and the Immigration and Naturalization Service (INS).

Between 1937 and 1999, the ESF grew to about 212 million reports of individual earnings with a value of about \$262 billion. Over the past decade, the ESF has been growing at an average of 5 million wage items and \$17 billion, annually. Employer and employee errors in reporting wages are the main causes of the ESF's growth and size. SSA has developed a Tactical Plan containing an overall strategy and several individual projects designed to reduce the ESF's rate of growth and size. However, the changes called for in the Plan are long-term, and several factors, both internal and external to SSA, hinder the efforts with the most potential to reduce the ESF's size and growth.

Some of the internal factors hindering efforts to reduce the ESF's size include: (1) SSA has placed a higher priority on other automated systems developments and (2) SSA has not linked available information in its data base to identify chronic "problem" employers who continually submit annual wage reports with multiple errors. SSA stated in its FY 2001 Annual Performance Plan that it still needs to improve coordination among the more than 60 SSA data files containing information about employers, employees, and associated wages.

External factors include other Federal agencies with separate yet related mandates. For example, the INS monitors those industries that hire transient employees who may not have proper work authorizations whereas the IRS can assess penalties on employers who continue to submit erroneous wage information to the Government. SSA will need to coordinate with both the INS and the IRS to improve the quality of wage data provided by employers.

In FY 2001, we will complete two reviews and begin four reviews in this area.

We will complete the following reviews in FY 2001

Case Study of Individual Problem Employer C-1

Force Processing Magnetic Media Reports with Validation Problems C-2

We will begin the following reviews in FY 2001

Evaluate the Social Security Administration's Decentralized Correspondence Operation

Follow-up Review to Patterns of Reporting Errors and Irregularities by 100 Employers with the Most Suspended Wage Items

Procedures for Verifying the Legitimacy of Wages for the Earnings After Death Process and the Young Children Earnings Record Process

Review of the Composition of the Social Security Administration Earnings Suspense File

## **Case Study of Individual Problem Employer**

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### **Planned Start**

Carry Over

### **Objective**

To perform an in-depth case study of an employer who continually submits large numbers of wage reports to SSA with names and/or SSNs that fail to match records maintained by SSA. We wanted to determine the specific causes of this employer's wage reporting errors and irregularities and steps that SSA has taken to reduce their occurrence.

### **Background**

Employers report earnings to SSA. If the name and SSN as reported matches SSA's records, the earnings are posted to individual earnings records. If the name and/or SSN does not match SSA's record, the earnings are put in the Earnings Suspense File. Some employers continually report "bad" names and/or SSNs.

## **Force Processing Magnetic Media Reports with Validation Problems**

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### **Planned Start**

Carry Over

### **Objective**

To review SSA's management oversight over force processing.

### **Background**

Employers with 250 or more wage reports are required to report earnings on magnetic media. Reports where 50 percent or more of the wage reports do not match SSA's name and/or SSN records are returned to the submitter for correction. SSA force processes the report if an employer is not able to correct the errors. Earnings reports are supposed to be force processed for only 1 year.

## Issue Area

4

# Enumeration

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*The magnitude of SSA's enumeration area and the importance placed on SSNs in today's society provides a tempting motive for many unscrupulous individuals to fraudulently acquire an SSN and use it for illegal purposes.*

One of the key elements SSA employs to effectively administer the Nation's Social Security system is the SSN. SSA refers to the process of assigning SSNs to U.S. workers and Social Security beneficiaries as enumeration. The enumeration area also includes issuing replacement cards to people with existing SSNs and verifying SSNs for employers and other Federal agencies. In FY 1999, SSA issued over 16 million original and replacement SSN cards.

The magnitude of SSA's enumeration area and the importance placed on SSNs in today's society provides a tempting motive for many unscrupulous individuals to fraudulently acquire an SSN and use it for illegal purposes. Given today's technological advances, motivated individuals can counterfeit official documents with surprising accuracy. To effectively combat these criminals and reduce the occurrences of fraudulent SSN attainment, SSA must employ effective front-end controls in its enumeration process. As noted by Congress and other Federal agencies, the SSN plays an integral role in the commission of identity fraud crimes. Unfortunately, once an SSN is assigned, regardless of whether it is later learned the SSN was fraudulently obtained, the number can be used as a "breeder document" to commit further crimes. Therefore, detecting fraudulent documents before the SSNs are assigned is an essential step in reducing the number of identity fraud crimes.

We understand the Agency has a difficult task in balancing customer service and security. However, we believe the Agency has a duty to the American public to safeguard the integrity of SSNs. In response to two reports we issued, SSA confirmed its strong commitment to eliminating opportunities for fraud within the enumeration process. We commend many of SSA's initiatives to address these vulnerabilities. However, we continue to believe further action and review is necessary. In FY 2000, we conducted three studies related to this area.

In FY 2001, we will complete one review and begin one review in this area.



We will complete the following review in FY 2001

Review of the Enumeration at Birth Process

D-1

We will begin the following review in FY 2001

The Effectiveness of the Social Security Administration's Comprehensive Integrity Review Process in Preventing and Detecting Social Security Number Fraud

## **Review of the Enumeration at Birth Process**

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### **Planned Start**

Carry Over

### **Objective**

To determine whether (1) participating hospitals and Bureaus of Vital Statistics are providing SSA with accurate and reliable birth record information under the Enumeration at Birth (EAB) program and (2) SSA's internal controls adequately protect the integrity of the process.

### **Background**

Implemented in 1989, EAB is a program that assigns SSNs and issues SSN cards to newborns, with parental approval, as part of the birth registration process through the States. SSA developed the EAB process in response to increased demand for SSNs for children at earlier ages due to tax and banking requirements. SSA recognized all the information needed to process an SSN application for a newborn was captured during the hospital birth registration process. The birth registration data serve as evidence of age, identity, and U.S. citizenship for purposes of assigning a child an SSN.

EAB was designed as a convenient service option, saving parents the trouble of gathering necessary proof, completing a Form SS-5, *Application for a Social Security Card*, and visiting or mailing original documents to an SSA field office for processing.

About 50 percent of the 6 million original SSNs assigned by SSA annually are processed through the EAB program. SSA estimates that approximately 75 percent of newborns receive SSNs via EAB. As of September 1997, all 50 States as well as certain non-State entities (Puerto Rico, New York City, and the District of Columbia) participated in EAB.

## Issue Area

5

# Fraud Risk

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*While SSA is addressing the factors affecting the complexity of the SSI program, the Agency still relies on self-reporting of income, living arrangements and medical improvement in determining whether an individual is eligible for SSI.*

Fraud risk remains a strong concern for the Supplemental Security Income (SSI) program, but SSA and the OIG continue to shore up efforts to reduce fraud. The program remains on the General Accounting Office's "high-risk" list. While SSA is addressing the factors affecting the complexity of the SSI program, the Agency still relies on self-reporting of income, living arrangements and medical improvement in determining whether an individual is eligible for SSI. SSA has initiated two programs to detect fraud on the issue of self-reporting of income. Through its Access to State Records On-line program, SSA has on-line query access to selected records in 61 agencies in 35 States. SSA is also piloting a program for field office (FO) staff to check for income before awarding SSI payments. The pilot project will provide FOs with direct access to Office of Child Support Enforcement data bases related to wages, new hires, and unemployment insurance. The pilot will be conducted in 50 FOs.

In addition to these new initiatives to address program fraud, SSA and OIG continue to expand existing programs. SSA and OIG have formed additional Cooperative Disability Investigation teams to detect and prevent fraud and have established projects to verify that recipients meet the eligibility requirements to receive SSI payments. SSA's efforts to identify and terminate payments to incarcerated SSI recipients continue to be fruitful.

As of January 2000, SSA had agreements with 5,782 correctional facilities that covered over 99 percent of the inmate population. SSA estimates the suspension of payments to prisoners is saving the Old-Age, Survivors and Disability Insurance (OASDI) and SSI programs \$500 million, annually. Incentive payments under the 1996 Welfare Reform Act have contributed to that success. From March 1997 through July 2000, SSA paid \$31.57 million in incentive payments. SSA's Actuary estimates cumulative 7-year savings through the year 2001 will be \$3.5 billion. In addition, SSA has assigned Regional Coordinators to handle the increasing referrals from our fugitive felon initiatives.

We conducted three studies related to fugitive felons in the past 2 years and found that SSA needs to increase its efforts to prevent both SSI and OASDI benefits payments to fugitives. We estimate that, since August 1996, at least 24,700 fugitives were incorrectly paid \$76 million in SSI payments. We also estimate that SSA will incorrectly pay fugitives about \$30 million in SSI payments, annually, unless SSA uses State fugitive files to prevent such payments. Additionally, we estimate that SSA will save about \$39 million in OASDI benefits, annually, if legislation is enacted to prohibit such payments.

In FY 2001, we will complete 17 reviews and begin 13 reviews in this area.

## We will complete the following reviews in FY 2001

Approval of and Amount of Fees Paid for Claimant Representation	E-1
Audit of Internal Controls over the Office of Financial Policy and Operations Remittance Processing	E-2
Controls over Interpreter Services	E-3
Controls over Supplemental Security Income Immediate Payments	E-4
Incurred Cost Contract for Washington	E-5
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Unresolved Death Alerts over 120 Days Old	E-16
Use of Sanctioned Medical Providers by State Disability Determination Services	E-17

## We will begin the following reviews in FY 2001

Identification and Suspension of Benefits to Fugitives with Deportation Warrants
Redeterminations for Adults Found Disabled Under Childhood Impairments
Wages Earned by Disabled Beneficiaries
Audit of the Internal Controls over the Social Security Administration's Remittance Processing
Follow-up: Status of Implementation of the Social Security Administration's Fiscal Year 2000 Management Letter
Use of State Bureaus of Vital Statistics to Detect Unreported Marriages and Divorces
Review of the Social Security Administration's Fraud Referral Process
Computer Match of Medicaid/Medicare Usage Records Against Social Security Administration Recipients
Non-Receipt of Supplemental Security Income Monthly Benefit Checks
Suspense Files for the Social Security Administration Computer Match with the Office of Child Support Enforcement
Office of Hearings and Appeals Anti-Fraud Activities
The Social Security Administration's Follow-up Actions from On-Site Reviews
Use of On-line Access at Social Security Administration Field Offices to Verify Initial Eligibility for Supplemental Security Income Benefits

# **Approval of and Amount of Fees Paid for Claimant Representation**

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## **Planned Start**

Carry Over

## **Objective**

To determine the appropriateness of fees paid to claimant representatives and the extent of non-approved representation received by those claimants.

## **Background**

A claimant who has been denied disability benefits may appeal the denial and appoint either an attorney or a non-attorney to represent them. Claimant representatives must show they are of good character and in good repute, possessed of the necessary qualifications to enable them to render such claimants a valuable service, and otherwise competent to advise and assist claimants in presenting their cases. Claimant representatives who are attorneys file either a fee petition or a fee agreement to obtain payment for their services.

Attorney fees are paid by SSA's seven processing centers nationwide, including the Office of Central Operations in Baltimore, Maryland. The Office of Central Operations processes cases for claimants under 55 years old, while the other six centers process cases for claimants 55 or older.

The Office of Hearings and Appeal's Special Counsel Staff functions as an Agency representative in actions against attorneys and non-attorney representatives. The Special Counsel Staff has the authority to disqualify or not recognize claimant representatives for misconduct or refusing to repay overpaid fees. The Special Counsel Staff has disqualified over 70 claimant representatives and has received from the Office of Central Operations over 100 cases of duplicate payments made to representatives who have refused to return the overpayments.

# **Audit of Internal Controls over the Office of Financial Policy and Operations Remittance Processing**

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## **Planned Start**

Carry Over

## **Objective**

To evaluate the adequacy and operation of internal controls over the receipt, processing, and deposit of remittances received by the Office of Financial Policy and Operations (OFPO).

## **Background**

OFPO serves as the SSA Headquarters focal point for the receipt of all non-programmatic cash remittances. A recent OIG investigation and the arrest of an OFPO employee for alleged theft of remittances has accelerated a planned audit of the cash remittance area. The theft allegedly occurred over a 2-year period before it was discovered. We plan to evaluate the internal control system for cash remittances to determine whether any systemic internal control weaknesses exist. Additionally, we will provide support for the Office of Investigations and attempt to identify the extent of the fraud.

The remittances OFPO received included travel advance repayments, misrouted benefit repayments, field office collections (non-programmatic), and Freedom of Information Act fees. OFPO has already provided us a summary of the remittance processes.

## **Controls over Interpreter Services**

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### **Planned Start**

Carry Over

### **Objective**

To review the adequacy of controls for services provided by interpreters during the hearing process.

### **Background**

Non-English speaking claimants have the right to interpreters to assist them during the hearing process. SSA provides interpreters from its staff, if available, or selects interpreters from a roster of non-SSA employees. A claimant has the option to bring an interpreter to assist in the claims process.

Our Office of Investigations has identified several types of disability fraud involving interpreters. SSA has implemented procedures to help detect and deter interpreters' fraudulent activity. This review will focus on the Office of Hearings and Appeals' most significant controls. The Office of Hearings and Appeals' budget for interpreter services is \$2.4 million.

# Controls over Supplemental Security Income Immediate Payments

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## Planned Start

Carry Over

## Objective

To evaluate the adequacy of SSA's internal controls over Supplemental Security Income (SSI) immediate payments and determine whether (1) immediate payments are recorded on the Supplemental Security Record (SSR) and (2) multiple and high-dollar immediate payments are appropriate.

## Background

SSI recipients who claim non-receipt of their monthly benefit check can have it replaced by visiting their local field office. Since recipients are often unwilling to wait 7 to 10 days for the Treasury Department to process a replacement check, field offices will issue an immediate payment.

There are certain conditions that must be met before a field office will issue an immediate payment. The recipient must be eligible for SSI benefits; no other immediate payment was made to the recipient within the past 30 days; and there is a dire need.

If the above conditions are met, a claims representative will prepare an SSI Payment Authorization Voucher. A supervisor will review the Voucher and supporting documentation and authorize the payment. The Voucher is then presented to the cashier who types a check from the third-party draft (TPD) system, and the check is issued to the recipient. The cashier records the immediate payment on the TPD system and later transmits a daily record of TPD checks issued by the field office to Headquarters. The claims representative records the immediate payment on the SSR after the recipient receives the check, and the cashier maintains a copy of the updated SSR.

We plan to examine immediate payments recorded on the TPD system for a 2-year period and compare this to the SSR. We will examine a sample of the differences in these two records to determine the reasons for these discrepancies. We also plan to identify high-dollar and multiple immediate payments to assess their propriety.



## **Incurred Cost Contract for Washington**

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### **Planned Start**

Carry Over

### **Objective**

To determine whether costs claimed under the State of Washington contract represented allowable, allocable, and reasonable costs under the terms of the contract and applicable regulations.

### **Background**

SSA's Office of Acquisition and Grants issued contract number 600-95-22678 for Referral and Monitoring Agency services. The contract had an estimated value of \$2,055,448. As an incurred cost audit, this audit is intended to provide the contracting officer information to assist in closing out the contract.

## **Incurred Cost Contract for Wisconsin**

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### **Planned Start**

Carry Over

### **Objective**

To determine whether costs claimed under the State of Wisconsin contract represented allowable, allocable, and reasonable costs under the terms of the contract and applicable regulations.

### **Background**

SSA's Office of Acquisition and Grants issued contract number 600-95-22680 for Referral and Monitoring Agency services. The contract had an estimated value of \$1.94 million. As an incurred cost audit, this audit is intended to provide the contracting officer information to assist in closing out the contract.

## **Maximus Incurred Cost Contract Audit**

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### **Planned Start**

Carry Over

### **Objective**

To determine whether costs claimed under the Maximus contract represented allowable, allocable, and reasonable cost under the terms of the contract and applicable Federal regulations

### **Background**

Drug addicts and alcoholics (DA&A) were determined disabled if they met income and other eligibility requirements. However, Public Law 104-121 eliminated this beneficiary category. Before the DA&A category was eliminated, each State had a Referral and Monitoring Agency (RMA). The RMA was usually a contractor that referred, assessed, and monitored both title II and title XVI DA&A recipients. SSA's Office of Acquisition and Grants issued contract numbers 600-94-10784 and 600-95-22666 to Maximus, Inc., for RMA services. The Maximus contracts had an estimated value of \$10 and \$86 million, respectively. As an incurred cost audit, this audit is intended to provide the contracting officer information to assist in closing out the contract.

## **Medical Expert and Vocational Expert Fees for Services**

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### **Planned Start**

Carry Over

### **Objective**

To determine the appropriateness of payments for services rendered by medical (ME) and vocational experts (VE).

### **Background**

Administrative Law Judges can seek the advice of medical experts when a case file contains conflicting or confusing medical evidence or when there is a need to better understand or document the case. An Administrative Law Judge may obtain a VE's opinion to determine whether the claimant's impairment prevents performance of past relevant work or any other work. MEs and VEs are paid for services in accordance with a published schedule.

Overall, the Office of Hearings and Appeals' Immediate Office of the Chief Administrative Law Judge establishes policy and procedures for the use of MEs and VEs. The Office of Hearings and Appeals' 10 regional offices recruit and maintain rosters of MEs and VEs, prepare purchase documents, and perform oversight. Hearings office staff arrange for ME/VE services and prepare vouchers for payment.

## **Office of Investigations-Assist Summary Report**

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### **Planned Start**

Carry Over

### **Objective**

To ensure fraud-related issues that cut across the Offices of Audit and Investigations are addressed.

### **Background**

From October 1999 through March 2000, the Fraud Liaison Team focused on matters that needed close coordination between the audit and investigative components. For example, television and print media have publicized alleged wrongdoings of some of the Agency's Representative Payment program's representative payees. The Office of Audit frequently provides assistance during investigations of such matters.

## **Payments to Young Spouses and Widows/Widowers Without Child In-Care**

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### **Planned Start**

Carry Over

### **Objective**

To determine whether SSA paid benefits to young spouses and widows/widowers without a child in-care under age 16 or a disabled child in-care age 16 or over.

### **Background**

The Social Security Act (Act) provides retirement and disability benefits to young spouses under age 62 with a child in-care. In addition, the Act provides survivors benefits to widows/widowers under age 60 with a child in-care. To qualify for such benefits, young spouses and widows/widowers must provide for the welfare and care of a child under age 16 or a disabled child age 16 or over. Generally, when the last non-disabled child attains age 16, the spouse or widow/widower's benefits are terminated. Prior audit work disclosed that young spouses and widows/widowers were in current pay status but did not always have a child in-care. As a result, these beneficiaries received benefits to which they were not entitled.

## **Process for Deeming of Income in Determining Initial Eligibility for Supplemental Security Income Recipients**

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### **Planned Start**

Carry Over

### **Objective**

To evaluate the adequacy of SSA's process for deeming of income to establish initial Supplemental Security Income eligibility and determine whether existing procedures adequately prevent overpayments because of unstated deemed income.

### **Background**

Income is anything a person receives in cash or in-kind that s/he can use to meet his/her needs for food, clothing, and shelter. Deeming of income is the process of considering another person's income to be the Supplemental Security Income-eligible person's own unearned income.

## **Process for Establishing Living Arrangements and Value of In-Kind Support and Maintenance for Supplemental Security Income Recipients**

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### **Planned Start**

Carry Over

### **Objective**

To evaluate the adequacy of SSA's process to establish living arrangements and the value of in-kind support and maintenance (ISM) for Supplemental Security Income (SSI) recipients.

### **Background**

The SSI program is a needs-based program administered by SSA. The SSI program provides cash payments to low-income aged, blind or disabled people. To be eligible for initial or continuing SSI payments based on age, recipients must be 65 years of age or older and meet certain income and resource limits, living arrangement and residency requirements.

At the application stage, SSA makes a determination of the proper living arrangement and whether ISM should be developed for applicants who would otherwise receive the full Federal Benefit Rate. If ISM is developed, the applicant's benefit rate is reduced accordingly.



# **The Social Security Administration's Evaluation of the Office of Child Support Enforcement Pilot**

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## **Planned Start**

Carry Over

## **Objective**

To assess SSA's evaluation of the Office of Child Support Enforcement (OCSE) pilot allowing SSA on-line access to OCSE information. SSA plans to use OCSE data to verify eligibility and/or payment amounts for applicants under the Supplemental Security Income (SSI) program.

## **Background**

SSA and OCSE will be conducting a pilot to determine the benefits and risks of allowing SSA to use real-time, read-only access to the National Directory of New Hires (NDNH). SSA will use this information to verify eligibility and/or payment amounts under the SSI program. This query gives SSA staff read-only access to limited wage, new hire, and unemployment information but only for those SSNs that have claims filed under the SSI program. No decision on whether to implement the proposed pilot permanently will be made until data from the pilot have been analyzed.

The pilot goals are to enable SSA to determine which factors are most important for determining an SSI applicant's eligibility and payment amount on a pre-decisional basis. Current means of verification are done on a post-entitlement basis, after individuals are receiving SSI payments. Pre-decisional information about entitlement and eligibility is expected to improve payment accuracy for SSA, reducing both over- and underpayments to beneficiaries. Also, it is expected to reduce the number of overpayment recovery activities SSA must take. The pilot will demonstrate the extent to which these expectations are realized and provide a basis for deciding which data are most useful for improving payment accuracy.

SSA's use of the NDNH is a sensitive issue with both OCSE and the Office of Management and Budget. The Office of Management and Budget has requested that the OIG provide an independent assessment of SSA's pilot evaluation.

## **Status of Implementation of the Social Security Administration's Fiscal Year 1999 Management Letter Issues**

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### **Planned Start**

Carry Over

### **Objective**

To examine the status of SSA's implementation of recommendations in SSA's FY 1999 financial statements Management Letter.

### **Background**

The Chief Financial Officers Act of 1990 requires agencies to annually prepare audited financial statements. Each agency's Inspector General is responsible for auditing these financial statements to determine whether they provide a fair representation of the entity's financial position. This annual audit also includes an assessment of the agency's internal control structure and its compliance with laws and regulations. An independent contractor will perform the audit work to support this opinion of SSA's financial statement. We will monitor the contract to ensure reliability of the contractor's work to meet our statutory requirements for auditing SSA's financial statements.

Our annual audit of SSA's financial statements sometimes identifies conditions that do not have a material impact on the financial statements. As such, the Management Letter is our vehicle for communicating such matters to SSA management. For FY 1999, an independent certified public accounting firm performed the fieldwork for the financial statement audit and related Management Letter reporting. We will function in a monitoring capacity to ensure that all relevant issues are brought to management's attention.

This assignment will examine the status of recommendations from the FY 1999 Management Letter.

## **Title II Data Analysis to Identify Fraudulent Benefit Payments**

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### **Planned Start**

Carry Over

### **Objective**

To develop a means for detecting fraud in the title II program by using data already stored on the master beneficiary record's data base.

### **Background**

There are only two ways SSA makes benefit payments: through paper check issuance or through electronic fund transfer (EFT) to financial institutions. We developed a computer application designed to standardize and match mailing addresses to identify fraud in the title II programs. This address matching application was highly successful in identifying fraudulent payments, and SSA adopted it as part of its system of internal controls.

Recently, the way SSA does business changed. The use of EFT has increased considerably, and EFT payments now outnumber paper check payments. It is only logical that fraud perpetrators have moved into the EFT arena.

A risk to the perpetrator is providing identification to a financial institution when opening an account. A perpetrator may try to reduce this risk by simply using a single account to receive payments. Our goal is to identify these situations by using the bank data—routing and account numbers—to identify potential fraudulent payments.

This project is designed to help identify dishonest employees, individuals using fake identification (they may have assumed someone else's identity to obtain benefits), and certain beneficiaries whose benefits should be terminated because of an unreported marriage.

## **Unresolved Death Alerts over 120 Days Old**

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### **Planned Start**

Carry Over

### **Objective**

To evaluate the effectiveness of SSA's controls and procedures for resolving death alerts over 120 days old and identifying payments to deceased beneficiaries.

### **Background**

The Social Security Act requires SSA to match its payment records against States' death records to identify and prevent erroneous payments after death. SSA's Death Alert, Control, and Update System (DACUS) receives death reports from various sources and compares the date of death to its payment records. DACUS generates an alert when SSA receives a death report from a State, local, or Federal agency and there is conflicting data with or among the payment records. DACUS also generates a list of death alerts over 120 days old. Recent investigations have used these listings to identify beneficiaries in current pay status who were actually deceased. In addition, recent investigations have identified deceased beneficiaries in current pay status for whom a death alert had not been generated.

# **Use of Sanctioned Medical Providers by State Disability Determination Services**

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## **Planned Start**

Carry Over

## **Objective**

To review the procedures State Disability Determination Services (DDS) have in place to ensure sanctioned medical providers are not used in the disability determination process.

## **Background**

Sanctioned medical providers are those providers whose services have been suspended or revoked for improprieties in the health care field. SSA Program Operations Manual System (POMS) instructions prohibit DDSs from purchasing consultative examinations from sanctioned medical providers. POMS instructions allow DDSs to purchase medical evidence of record from sanctioned medical providers and direct DDSs to give normal consideration to the medical evidence of record in processing a disability claim.

Each month on its Internet website, the Department of Health and Human Services' OIG posts a monthly update of sanctioned medical providers. All DDSs either have access to this report via the Internet or receive a copy of the report via electronic mail from SSA's Office of Disability. DDSs are instructed to regularly review the report and ensure sanctioned medical providers are not used in processing disability claims.

## Issue Area

6

# Government Performance and Results Act

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*Our work to date has helped improve SSA's annual performance plans and its ability to reliably report on its performance.*

In accordance with the Government Performance and Results Act (GPRA), SSA has set forth its mission and strategic goals in its 5-year strategic plan, established yearly targets in its annual performance plans, and reported on its performance in its first annual performance report.

We conduct audits to assess the reliability of SSA's performance data and assess the development of SSA's performance plans, reports, indicators and goals. In FY 1999, we issued reports on the sources of the data used to measure SSA's FY 1999 performance indicators and on SSA's FY 2000 Annual Performance Plan. We also issued reports on the reliability of the data used to measure 18 of SSA's performance indicators. Our work concluded that SSA has demonstrated a commitment to implement GPRA and has improved the usefulness of its annual performance plan.

Our work also identified areas that SSA can improve upon. For example, SSA has not established performance indicators for all of its major management challenges. We have also identified weaknesses in the data SSA uses to measure some of its performance indicators, which affects SSA's ability to reliably report on the performance of its operations.

We will continue to review SSA's annual performance plans and reports to ensure they fully and accurately capture SSA's program performance. We will also continue to audit the reliability of all of the data SSA uses to measure its performance. This work will help to identify and correct weaknesses in SSA's performance data where they exist. Our work to date has helped improve SSA's annual performance plans and its ability to reliably report on its performance. Our future work will allow us to continue to play a positive role and help improve SSA's planning and performance monitoring.

In FY 2001, we will complete 23 reviews and begin 5 reviews in this area.

## We will complete the following Performance Measure Reviews in FY 2001

Expanding Service Electronically	F-1
Expanding Service over the Phone	F-2
Outcome-Based Performance Measures	F-3
Reliability of the Data Used to Measure 800-Number Service Accuracy	F-4
Reliability of the Data Used to Measure Anti-Fraud Performance	F-5
Reliability of the Data Used to Measure Disability Claims Processing	F-6
Reliability of the Data Used to Measure Disability Determination Services' Decisional Accuracy	F-7
Reliability of the Data Used to Measure Electronic Service Delivery	F-8
Reliability of the Data Used to Measure Employer Satisfaction	F-9
Reliability of the Data Used to Measure Field Office Access	F-10
Reliability of the Data Used to Measure Public Knowledge of the Social Security Administration	F-11
Reliability of the Data Used to Measure the Accuracy of Earnings Posted	F-12
Reliability of the Data Used to Measure the Accuracy of Social Security Numbers Issued	F-13
Reliability of the Data Used to Measure the Hearings Process	F-14
Reliability of the Data Used to Measure the Office of Hearings And Appeals' Productivity Per Work Year	F-15
Reliability of the Data Used to Measure the Percent of the Multi-Year Continuing Disability Review Plan Completed	F-16
Reliability of the Data Used to Measure the Quality of the Social Security Administration's Research	F-17
Reliability of the Data Used to Measure the Supplemental Security Income Non-Disability Redetermination Processes	F-18
Reliability of the Data Used to Measure the Timely Processing of Disability Insurance Claims	F-19
Review of the Social Security Administration's Fiscal Year 1999 Annual Performance Report	F-20
Review of the Social Security Administration's Fiscal Year 2000 Annual Performance Report	F-21
Review of the Social Security Administration's Fiscal Year 2001 Annual Performance Plan	F-22
The Social Security Administration's Transition Planning	F-23

## We will begin the following Performance Measure Reviews in FY 2001

Review of the Social Security Administration's Fiscal Year 2002 Annual Performance Plan
Determining the Costs of Performance
Linkage Between the Social Security Administration's Annual and Strategic Goals
Reliability of the Data Used to Measure Facility Environmental Quality
Reliability of the Data Used to Measure the Percentage of Beneficiaries Returning to Work

## **Performance Measure Review: Expanding Service Electronically**

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### **Planned Start**

1<sup>st</sup> Quarter FY 2001

### **Objective**

To determine SSA's capacity to expand service electronically. The audit will also examine why SSA chose to expand the services that were chosen.

### **Background**

SSA faces several challenges in maintaining its goal of delivering world-class service. As baby boomers become eligible for benefits over the next 2 decades, increased workloads and increased expectations by our customers for service delivery options will require different and more varied service delivery mechanisms. In addition, the number of customers expecting immediate access to information and services, anytime, anywhere, is rapidly increasing. In response to these demands, SSA began testing and implementing direct-access customer services on the Internet in 1994. The number of Internet customers has increased from 22,000 in 1994 to almost 10 million in 1999.

Customers want SSA to expand its Internet services. However, before any such expansion can occur, SSA must be confident that personal information in records will be disclosed only to the person to whom it pertains or a third party with their consent.



## **Performance Measure Review: Expanding Service over the Phone**

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### **Planned Start**

1<sup>st</sup> Quarter FY 2001

### **Objective**

To determine SSA's capacity to expand service over the phone including progress made to date and the rationale used to choose SSA's areas of expansion.

### **Background**

The Government Performance and Results Act requires that Federal agencies (1) develop strategic plans that include a mission statement and strategic goals and objectives; (2) develop annual performance plans that include objective, quantifiable, and measurable performance indicators and goals; and (3) prepare reports for the Congress and the public that compare actual performance to the goals established in the annual performance plans.

SSA established the development of new and expanded services available over the telephone as one of its performance measures. In FY 2001, SSA's goal was to fully implement taking retirement or survivor claims immediately over the telephone or in person as long as the applicant has all the information needed.

## **Performance Measure Review: Outcome-Based Performance Measures**

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### **Planned Start**

1<sup>st</sup> Quarter FY 2001

### **Objective**

To determine whether SSA's performance measures are outcome- or output-based.

### **Background**

The Government Performance and Results Act (GPRA) and Office of Management and Budget Circular A-11, part 2, *Preparation and Submission of Strategic Plans and Annual Performance Plans and Annual Program Performance Reports*, state outcome goals should be included within an annual performance plan, whenever possible. Congress has also stated that annual goals should be quantified as outcomes, rather than outputs. In fact, the ultimate aim of GPRA is to have agencies manage for outcomes or results.

This audit will define each of SSA's annual performance goals as either outcome- or output-based. The audit will also determine whether measures that are currently output-based can be expressed as outcome-based goals. This audit will help SSA move closer to meeting the letter and the nature of the law, GPRA.

## **Performance Measure Review: Reliability of the Data used to Measure 800-Number Service Accuracy**

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### **Planned Start**

1<sup>st</sup> Quarter FY 2001

### **Objective**

To assess the reliability of SSA's performance measure data for measuring 800-number accuracy in terms of both service and payments. This measure includes:

- Service accuracy.
- Payment accuracy.

### **Background**

The Government Performance and Results Act requires that Federal agencies (1) develop strategic plans that include a mission statement and strategic goals and objectives; (2) develop annual performance plans that include objective, quantifiable, and measurable performance indicators and goals; and (3) prepare reports for the Congress and the public that compare actual performance to the goals established in the annual performance plans.

SSA has established the accuracy of 800-number calls as one of its performance measures. Service accuracy is a measure of whether 800-number representatives respond correctly to inquiries related to issues other than payment and eligibility. Payment accuracy is a measure of whether 800-number representatives respond correctly to inquiries related to eligibility and payment of benefits. SSA strives to attain a 90-percent service accuracy rate and a 95-percent payment accuracy rate. The 800-number Service evaluation is used to provide data for these performance measures.

# **Performance Measure Review: Reliability of the Data Used to Measure Anti-Fraud Performance**

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## **Planned Start**

4<sup>th</sup> Quarter FY 2001

## **Objective**

To determine the reliability of the data SSA used to measure anti-fraud activities.

## **Background**

This audit is part of the 3-year Government Performance and Results Act (GPRA) work plan developed to determine the reliability of the data SSA uses to measure its activities and programs' performance. This audit will focus on the data used to measure the following performance measures:

- Number of investigations conducted (that is, closed).
- Old-Age, Survivors and Disability Insurance dollar amounts reported from investigative activities.
- Supplemental Security Income dollar amounts reported from investigative activities.
- Number of criminal convictions.

The completion of this audit will bring us one step closer to completing the GPRA work plan we began in FY 1999. As stated above, the 3-year work plan focuses on the reliability of SSA's performance data. The audit will provide assurance the data being used to measure performance are reliable or will highlight weaknesses in the data, if any exist. If weaknesses do exist, the audit will offer recommendations to SSA on how to correct them.

Congress has continually expressed interest in the quality of the data being used to measure performance in Federal agencies. Specifically, Congressmen Armey, Horn, Sessions, and Burton wrote all of the Inspectors General in the fall of 1997 asking them to assess the quality of their respective agency's performance data. This letter was one factor that led to the development of the GPRA data reliability work plan. Senator Thompson recently wrote the Inspectors General with a similar request. With the completion of the GPRA work plan, the OIG will be in a position to fully report to SSA and Congress on the quality of all of SSA's performance data. This full reporting on the performance data environment will greatly advance the performance measurement of SSA's programs and activities.

## **Performance Measure Review: Reliability of the Data Used to Measure Disability Claims Processing**

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### **Planned Start**

Carry Over

### **Objective**

To assess the reliability of SSA's performance measurement data related to the timely processing of title II Disability Insurance claims and title XVI Supplemental Security Income disability claims.

### **Background**

The Government Performance and Results Act calls for each Federal agency to have and maintain a strategic plan with outcome-related goals and objectives. The strategic plans must explain (1) how the goals and objectives are to be achieved and (2) the program evaluations used to establish and revise the goals and objectives. Each agency must also maintain a performance plan that contains objective, quantifiable, and measurable performance goals and indicators using relevant outputs, service levels, and outcomes and a means for comparing, verifying, and validating the data.

SSA has established three performance measures for FY 2000 related to Disability Insurance and Supplemental Security Income disability claims: (1) initial disability claims average processing time (with a goal of 100 days), (2) number of initial disability claims processed (with a goal of 2,144,000 cases), and (3) number of initial disability claims pending (with a goal of 408,000 cases). We will be evaluating September, October, and November 1999 data to ensure they are a reliable source of performance measurement.

# **Performance Measure Review: Reliability of the Data Used to Measure Disability Determination Services' Decisional Accuracy**

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## **Planned Start**

Carry Over

## **Objective**

To assess the reliability of the data SSA used to measure FY 1999 Disability Determination Service (DDS) decisional accuracy.

## **Background**

The Government Performance and Results Act requires Federal agencies to develop strategic plans including a mission statement, strategic goals and objectives; develop annual performance plans including objective, quantifiable, and measurable performance indicators and goals; and prepare annual reports for the Congress comparing actual performance to goals established in the annual performance plans.

The DDS decisional accuracy reflects the percentage of accurate disability determinations issued by State DDSs. The DDS decisional accuracy is measured by SSA's Office of Quality Assurance and Performance Assessment. For FY 1999, SSA's performance indicator for DDS decisional accuracy is 97 percent.

## **Performance Measure Review: Reliability of the Data Used to Measure Electronic Service Delivery**

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### **Planned Start**

2<sup>nd</sup> Quarter FY 2001

### **Objective**

To assess the reliability of data used in measuring electronic service delivery..

### **Background**

The Government Performance and Results Act of 1993 requires Federal agencies to develop processes to plan for and measure mission performance. One such measure is the number of people accessing SSA's Internet web sites and requesting Social Security retirement benefit estimate statements. This number is then compared to the number of people who use SSA's 800-number telephone service to request benefit estimate statements. In our review, we will test the data used in those measurements and determine whether the data can be relied on.

# **Performance Measure Review: Reliability of the Data Used to Measure Employer Satisfaction**

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## **Planned Start**

4<sup>th</sup> Quarter FY 2001

## **Objective**

To determine the reliability of the data SSA used to measure employer satisfaction.

## **Background**

This audit is part of the 3-year Government Performance and Results Act (GPRA) work plan developed to determine the reliability of the data SSA uses to measure the performance of its activities and programs. This audit will focus on the data used to measure the following performance measures:

- Percent of employers rating SSA's overall service as excellent, very good, or good.
- Percent of employers rating SSA's overall service as excellent.

The completion of this audit will bring us one step closer to completing the GPRA work plan we began in FY 1999. As stated above, the 3-year work plan focuses on the reliability of SSA's performance data. The audit will provide assurance the data being used to measure performance are reliable or will highlight weaknesses in the data, if any exist. If weaknesses do exist, the audit will offer recommendations to SSA on how to correct them.

Congress has continually expressed interest in the quality of the data being used to measure performance in Federal agencies. Specifically, Congressmen Arney, Horn, Sessions, and Burton wrote all of the Inspectors General in the fall of 1997 asking them to assess the quality of their respective agency's performance data. This letter was one factor that led to the development of the GPRA data reliability work plan. Senator Thompson recently wrote the Inspectors General with a similar request. With the completion of the GPRA work plan, the OIG will be in a position to fully report to SSA and Congress on the quality of all of SSA's performance data. This full reporting on the performance data environment will greatly advance the performance measurement of SSA's programs and activities.



## **Performance Measure Review: Reliability of the Data Used to Measure Field Office Access**

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### **Planned Start**

Carry Over

### **Objective**

To review SSA's FY 1999 performance measures at field offices that measure the following:

- Percentage of public with an appointment waiting 10 minutes or less (goal 85 percent).
- Percentage of public without an appointment waiting 30 minutes or less (goal 70 percent).

### **Background**

The Government Performance and Results Act requires that Federal agencies (1) develop strategic plans that include a mission statement and strategic goals and objectives; (2) develop annual performance plans that include objective, quantifiable, and measurable performance indicators and goals; and (3) prepare reports for the Congress that compare actual performance to the goals established in the annual performance plans.

SSA's Strategic Plan establishes a goal "to deliver customer-responsive, world-class service." The amount of time it takes to serve customers visiting field offices is a performance indicator designed to chart SSA's progress in achieving world-class service. When a customer with an appointment enters a field office, SSA desires to ensure the customer waits no longer than 10 minutes before being served. SSA wants to serve those customers without an appointment within 30 minutes. The FY 1999 goal was to serve 85 percent of customers with appointments within 10 minutes and 70 percent of customers without appointments within 30 minutes.

# **Performance Measure Review: Reliability of the Data Used to Measure Public Knowledge of the Social Security Administration**

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## **Planned Start**

4<sup>th</sup> Quarter FY 2001

## **Objective**

To determine the reliability of the data SSA used to measure public knowledge of SSA.

## **Background**

This audit is part of the 3-year Government Performance and Results Act (GPRA) work plan developed to determine the reliability of the data SSA uses to measure the performance of its activities and programs. This audit will focus on the data used to measure the following performance measure:

- Percent of public who are knowledgeable about Social Security programs.

The completion of this audit will bring us one step closer to completing the GPRA work plan we began in FY 1999. As stated above, the 3-year work plan focuses on the reliability of SSA's performance data. The audit will provide assurance the data being used to measure performance are reliable or will highlight weaknesses in the data, if any exist. If weaknesses do exist, the audit will offer recommendations to SSA on how to correct them.

Congress has continually expressed interest in the quality of the data being used to measure performance in Federal agencies. Specifically, Congressmen Armey, Horn, Sessions, and Burton wrote all of the Inspectors General in the fall of 1997 asking them to assess the quality of their respective agency's performance data. This letter was one factor that led to the development of the GPRA data reliability work plan. Senator Thompson recently wrote the Inspectors General with a similar request. With the completion of the GPRA work plan, the OIG will be in a position to fully report to SSA and Congress on the quality of all of SSA's performance data. This full reporting on the performance data environment will greatly advance the performance measurement of SSA's programs and activities.

## **Performance Measure Review: Reliability of the Data Used to Measure the Accuracy of Earnings Posted**

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### **Planned Start**

Carry Over

### **Objective**

To assess the reliability of SSA's performance data used to measure the accuracy rate of earnings posted correctly.

- The SSA reports state that 99 percent of earnings are posted without errors.

### **Background**

The Government Performance and Results Act requires that Federal agencies (1) develop strategic plans that include a mission statement and strategic goals and objectives; (2) develop annual performance plans that include objective, quantifiable, and measurable performance indicators and goals; and (3) prepare reports for the Congress and the public that compare actual performance to the goals established in the annual performance plans.

One of the performance indicators cited in the plan is the achievement of a 99-percent accuracy rate on earnings items posted correctly. The Office of Quality Assurance and Performance Assessment conducts an annual review of the accuracy of earnings posted in the Master Earnings File and the Earnings Suspense File. The Office measures SSA's accuracy by taking a sample of individual W-2 earnings records from the reports submitted by employers and self-employed individuals and determining whether the earnings information on the W-2 records have been properly posted to either the Master Earnings File or the Earnings Suspense File.

## **Performance Measure Review: Reliability of the Data Used to Measure the Accuracy of Social Security Numbers Issued**

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### **Planned Start**

Carry Over

### **Objective**

To assess the reliability of the performance data SSA used to measure progress in achieving its goal of issuing SSN cards accurately.

### **Background**

The Government Performance and Results Act requires that Federal agencies (1) develop strategic plans that include a mission statement and strategic goals and objectives; (2) develop annual performance plans that include objective, quantifiable, and measurable performance indicators and goals; and (3) prepare reports for the Congress and the public that compare actual performance to the goals established in the annual performance plans.

One of the performance measures SSA established in its 1998 Annual Performance Plan was to achieve a 99.8-percent accuracy rate when issuing SSNs. SSA's Office of Quality Assurance and Performance Assessment (OQA) determines the Agency's success in meeting this goal by annually reviewing approximately 2,000 SSN applications. During the review, OQA classifies any errors as "critical" or "major." OQA only considers critical errors when calculating SSA's SSN accuracy rate. A critical error occurs when the Agency either assigns (1) an SSN belonging to another number holder to an applicant or (2) multiple SSNs to an applicant without cross-indexing the numbers.

## **Performance Measure Review: Reliability of the Data Used to Measure the Hearings Process**

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### **Planned Start**

Carry Over

### **Objective**

To assess the reliability of SSA's performance measurement data relating to the hearings process. These measures include:

- Number of hearings pending.
- Number of hearings processed.
- Hearing processing time.
- Percent of hearing decisions made and notices sent within 120 days of filing.

### **Background**

SSA oversees two long-term disability programs: Disability Insurance and Supplemental Security Income. Initial eligibility for disability benefits is determined by Disability Determination Services staff. If the Disability Determination Services staff finds an applicant ineligible for benefits, the applicant has a right to appeal the decision. A claimant may appeal anything, even a partially favorable decision.

Once the claimant requests a hearing with an Administrative Law Judge, the field office completes Form 501 and sends it with the case folder to 1 of the 139 hearings offices. The hearings office enters the claimant's information into the Hearings Office Tracking System. The hearings office tracks each claimant's case in the Hearings Office Tracking System from the time the claim enters the hearings office through to the case disposition.

## **Performance Measure Review: Reliability of the Data Used to Measure the Office of Hearings and Appeals' Productivity Per Work Year**

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### **Planned Start**

1<sup>st</sup> Quarter FY 2001

### **Objective**

To assess the reliability of the data SSA used to measure FY 2001 Office of Hearings and Appeals' (OHA) productivity per work year in the hearings process.

### **Background**

The Government Performance Results Act requires Federal agencies to (1) develop strategic plans that include a mission statement and strategic goals and objectives; (2) develop annual performance plans that include objective, quantifiable and measurable performance indicators and goals; and (3) prepare annual reports for the Congress that compare actual performance to the goals established in the annual performance plans.

OHA is implementing a Hearings Process Improvement plan to improve service to individuals requesting hearings. The plan includes the use of processing time benchmarks, group-based accountability in hearing offices, and enhanced management information and processing tools.

This indicator represents the annual percentage increase in productivity relative to the base year (FY 1999). The FY 2000 estimate is 4 percent, and the goal for FY 2001 is 14 percent.

## **Performance Measure Review: Reliability of the Data Used to Measure the Percent of the Multi-Year Continuing Disability Review Plan Completed**

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### **Planned Start**

Carry Over

### **Objective**

To assess the reliability of the data used to measure the percentage of the Continuing Disability Review (CDR) multi-year plan completed at the end of FY 1999.

### **Background**

The Government Performance and Results Act (GPRA) requires Federal agencies to (1) develop strategic plans that include a mission statement and strategic goals and objectives; (2) develop annual performance plans that include objective, quantifiable, and measurable performance indicators and goals; and (3) prepare annual reports for the Congress that compare actual performance to the goals established in the annual performance plans.

One of the GPRA performance measures SSA established is completing a specific percentage of its CDR multi-year plan. In August 1996, SSA issued a 7-year plan for processing CDRs to meet the provisions of Public Law 104-121. This Law provided more than \$4 billion in additional funds for the period covering FYs 1996 through 2002 to support the processing of additional CDRs so SSA could become current on these reviews. The multi-year plan, updated in March 1998 to reflect changing workloads, estimates that 9.3 million CDRs will be completed by the end of FY 2002. As of the end of FY 1999, SSA reported it had completed 45.9 percent of the CDR multi-year plan.

# **Performance Measure Review: Reliability of the Data Used to Measure the Quality of the Social Security Administration's Research**

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## **Planned Start**

4<sup>th</sup> Quarter FY 2001

## **Objective**

To determine the reliability of the data SSA used to measure the quality of its research.

## **Background**

This audit is part of the 3-year Government Performance and Results Act (GPRA) work plan developed to determine the reliability of the data SSA uses to measure the performance of its activities and programs. This audit will focus on the data used to measure the following performance measures:

- Percent of customers assigning a high rating to the quality of SSA's research and analysis products in terms of accuracy, reliability, comprehensiveness, and responsiveness.
- Percent of major statistical products that are timely.

SSA is determining baselines for the two performance measures in FY 2001, so this audit will concentrate on determining whether SSA has a system in place that can be relied on to provide an accurate, complete, and consistent assessment of performance in this area.

The completion of this audit will bring us one step closer to completing the GPRA work plan we began in FY 1999. As stated above, the 3-year work plan focuses on the reliability of SSA's performance data. The audit will provide assurance the data being used to measure performance are reliable or will highlight weaknesses in the data, if any exist. If weaknesses do exist, the audit will offer recommendations to SSA on how to correct them.

Congress has continually expressed interest in the quality of the data being used to measure performance in Federal agencies. Specifically, Congressmen Arme, Horn, Sessions, and Burton wrote all of the Inspectors General in the fall of 1997 asking them to assess the quality of their respective agency's performance data. This letter was one factor that led to the development of the GPRA data reliability work plan. Senator Thompson recently wrote the Inspectors General with a similar request. With the completion of the GPRA work plan, the OIG will be in a position to fully report to SSA and the Congress on the quality of all of SSA's performance data. This full reporting on the performance data environment will greatly advance the performance measurement of SSA's programs and activities.



## **Performance Measure Review: Reliability of the Data Used to Measure the Supplemental Security Income Non-Disability Redetermination Processes**

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### **Planned Start**

Carry Over

### **Objective**

To assess the reliability of the performance data used to measure the following performance indicator: Supplemental Security Income (SSI) non-disability redeterminations process.

### **Background**

SSA oversees two long-term disability programs: Disability Insurance (DI), which is authorized under title II of the Social Security Act and makes monthly payments to disabled workers, and SSI, which is authorized under title XVI of the Social Security Act and provides monthly payments to aged, blind, and disabled individuals whose income and resources fall below a certain level.

To maintain eligibility for SSI payments, a claimant must pass a Continuing Disability Review (CDR) and a redetermination. During a CDR, medical factors that determine the claimant's eligibility for benefits are re-examined. SSI non-disability redeterminations consider non-medical factors, such as income, resources, and living arrangements. These redeterminations are either scheduled or unscheduled, and their frequency is determined by an event that could change eligibility (such as death or a court decision) or an error profile.

The case codes assigned to scheduled redeterminations fall into two profile categories: un-redetermined and post-eligibility. Early research in this area indicates each profile category is processed through a series of different computer systems. We will review all of the systems used to process redeterminations to ensure the performance data are accurate.

Redeterminations are classified as un-redetermined and post-eligibility profiles because certain profile codes have a higher likelihood of error than others. Based on these codes, the Central Office Redetermination Control System (CORC) selects cases and releases them either to Field Offices or the Data Operations Center (DOC) for processing.

Unscheduled redeterminations are performed based on reported changes in status, such as death or a return to the United States after time spent abroad. Field office or DOC personnel conduct interviews and enter the data in the Modernized Supplemental Security Income Claims System (MSSICS) using either paper or electronic forms.

SSA uses several automated systems in processing of redeterminations: MSSICS (used for all data entry), CORC (used for selecting unscheduled redeterminations), and SSI Redetermination Merge System (used to select cases for scheduled redeterminations as well as to communicate with CORC). SSA uses the SSI Post-eligibility Data Input form to input data in the District Office Workload Report, which generates the statistic for the GPRA measure.

## **Performance Measure Review: Reliability of the Data Used to Measure the Timely Processing of Disability Insurance Claims**

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### **Planned Start**

Carry Over

### **Objective**

To assess the reliability of the performance data used to measure the timely processing of Disability Insurance claims.

### **Background**

The Government Performance and Results Act requires SSA to develop annual performance plans that contain performance indicators and goals. SSA oversees two long-term disability programs: Disability Insurance, which is authorized under title II of the Social Security Act, and makes monthly payments to disabled individuals based on prior work, and Supplemental Security Income, which is authorized under title XVI of the Social Security Act, and provides monthly payments to disabled individuals based on financial need. The FY 1998 goal for this indicator is 50 percent. SSA exceeded this goal for FY 1997. Performance measurement data for Disability Insurance claims are maintained in the following SSA systems: Modernized Claims System, SSA Claims Control System, and Management Information Initial Claims Records.

This review will examine data entered into Modernized Claims System and related systems to determine their reliability.

# **Performance Measure Review: Review of the Social Security Administration's Fiscal Year 1999 Annual Performance Report**

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## **Planned Start**

Carry Over

## **Objective**

To determine the FY 1999 Annual Performance Report's (APR) adherence to the Government Performance and Results Act (GPRA) and other related requirements.

## **Background**

GPRA requires SSA to develop annual performance reports. GPRA and Office of Management and Budget (OMB) Circular A-11 describe the type of information to be included in the reports. In general, the performance reports are to state the Agency's performance indicators, along with the actual program performance achieved compared with the performance goals expressed in the plan for that fiscal year.

The APR provides decisionmakers within and outside the Agency an accounting of SSA management's ability to manage the SSA programs and to provide "world-class" customer service. The audit will review the FY 1999 APR to ensure that it meets all of the criteria established in GPRA and OMB Circular A-11 and, more importantly, that it presents a complete picture of the services SSA provides its customers. The Agency can use audit results to improve future annual performance plans, if changes are warranted.

Finally, there is great congressional interest on SSA's APR. In particular, Senator Thompson, Chair of the Committee on Governmental Affairs, has previously asked the Inspector General to review the FY 1999 APR. Since that time, members of the Committee staff have stated the Senator will continue to desire the Inspector General's opinion on future APRs.

# **Performance Measure Review: Review of the Social Security Administration's Fiscal Year 2000 Annual Performance Report**

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## **Planned Start**

1<sup>st</sup> Quarter FY 2001

## **Objective**

To determine the FY 2000 Annual Performance Report's (APR) adherence to the Government Performance and Results Act (GPRA) and other related requirements.

## **Background**

GPRA requires SSA to develop annual performance reports. GPRA and Office of Management and Budget (OMB) Circular A-11 describe the type of information to be included in the reports. In general, the performance reports are to state the Agency's performance indicators, along with the actual program performance achieved compared with the performance goals expressed in the plan for that fiscal year.

The APR provides decisionmakers within and outside the Agency an accounting of SSA management's ability to manage the SSA programs and to provide "world-class" customer service. The audit will review the FY 1999 APR to ensure that it meets all of the criteria established in GPRA and OMB Circular A-11 and, more importantly, that it presents a complete picture of the services SSA provides its customers. The Agency can use audit results to improve future annual performance plans, if such changes are warranted.

Finally, there is great congressional interest on SSA's APR. In particular, Senator Thompson, Chair of the Committee on Governmental Affairs, has previously asked the Inspector General to review the FY 1999 APR. Since that time, members of the Committee staff have stated the Senator will continue to desire the Inspector General's opinion on future APRs.

# Performance Measure Review: Review of the Social Security Administration's Fiscal Year 2001 Annual Performance Plan

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## Planned Start

Carry Over

## Objective

To determine whether the annual performance plan (APP) adheres to the Government Performance and Results Act (GPRA), Office of Management and Budget (OMB) Circular A-11, and other related guidance.

## Background

GPRA mandates that Federal agencies plan strategically to meet their objectives and to measure their ability to fulfill their missions. Specifically, GPRA requires Federal agencies to develop strategic plans, annual performance plans, and annual performance reports. SSA submitted its first strategic plan in September 1997. The strategic plan, *Keeping the Promise*, established the Agency's objectives for FYs 1997 through 2002. SSA's first APP was completed in February 1998. This APP defined SSA's annual performance indicators and goals for FY 1999. SSA released the FY 2000 APP in February 1999, and the FY 2001 APP in February 2000.

SSA's APP is a critical part of ensuring that SSA fulfills the purposes established in the GPRA legislation. By establishing annual performance goals, SSA focuses its daily operations by determining the issues and processes Agency resources will be dedicated to. Realizing the importance of this document, Congress defined specific requirements in GPRA for performance plans. OMB also issued guidance for developing performance plans in Circular A-11 (revised 1999), which addresses the preparation and submission of budget estimates, strategic plans, and APPs. We previously reviewed SSA's FY 2000 APP and found it represented a significant improvement over the FY 1999 APP. We recommended certain actions to more fully comply with GPRA and OMB requirements and make future APPs more useful to decisionmakers.

This audit is being conducted due, in part, to congressional interest in agencies' evolving implementation of GPRA. Prior OIG work in this area responded to requests from Congressmen Armey, Burton, Horn, and Sessions that the SSA Inspector General examine SSA's development of its performance measures and goals. This review continues to respond to that congressional interest as well as an April 18, 2000 request from Senator Fred Thompson, Chair, Senate Committee on Governmental Affairs, to review the improvements SSA made to its FY 2001 APP.

# Performance Measure Review: The Social Security Administration's Transition Planning

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## Planned Start

4<sup>th</sup> Quarter FY 2001

## Objective

To determine the reliability of the data SSA used to measure SSA's transition planning.

## Background

This audit is part of the 3-year Government Performance and Results Act (GPRA) work plan developed to determine the reliability of the data SSA uses to measure the performance of its activities and programs. This audit will focus on the data used to measure the following performance measures:

- Create Agency change strategy.
- Complete Agency plan for transitioning to the workforce of the future.

Transition planning is a critical management initiative. The audit will determine whether SSA can adequately measure the goals related to transition planning as well as determine the adequacy and progress made with SSA's transition planning. The audit will examine SSA's progress to-date and its capacity to create and implement transition plans. An examination is warranted because transition planning is important, and the goals for FY 2001 are the same goals from FY 2000.

The completion of this audit will bring us one step closer to completing the GPRA work plan we began in FY 1999. As stated above, the 3-year work plan focuses on the reliability of SSA's performance data. The audit will provide assurance the data being used to measure performance are reliable or will highlight weaknesses in the data, if any exist. If weaknesses do exist, the audit will offer recommendations to SSA on how to correct them.

Congress has continually expressed interest in the quality of the data being used to measure performance in Federal agencies. Specifically, Congressmen Armey, Horn, Sessions, and Burton wrote all of the Inspectors General in the fall of 1997 asking them to assess the quality of their respective agency's performance data. This letter was one factor that led to the development of the GPRA data reliability work plan. Senator Thompson recently wrote the Inspectors General with a similar request. With the completion of the GPRA work plan, the OIG will be in a position to fully report to SSA and the Congress on the quality of all of SSA's performance data. This full reporting on the performance data environment will greatly advance the performance measurement of SSA's programs and activities.

## Issue Area

7

# Identity Theft

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*The expanded use of the SSN has given rise to individuals acquiring and using counterfeit SSNs and SSNs belonging to other individuals for illegal purposes.*

One of the fastest growing areas of concern for SSA and the OIG is the misuse of SSN to commit crimes, particularly in the area of Identity Theft. Originally, the SSN's sole purpose was to provide a method for SSA to accurately record each U.S. worker's earnings. Despite this narrowly drawn purpose, use of the SSN as a general identifier in record systems eventually grew. The SSN has been adopted for numerous other purposes so that today, it is the single most widely used identifier for Federal and State Governments as well as the private sector.

The expanded use of the SSN has given rise to individuals acquiring and using counterfeit SSNs and SSNs belonging to other individuals for illegal purposes. Individuals use stolen and counterfeit SSNs to obtain employment, establish credit, and defraud Federal programs, including the Social Security and Supplemental Security Income programs. Individuals also misuse SSNs to conceal their true identity while committing a variety of other crimes. Often, these crimes affect innocent victims and cause tremendous losses to these individuals as well as to the Government and private sector. For example, in May 1998, the General Accounting Office reported that 10 large banks lost \$20 million each as a result of credit card fraud in which SSNs were misused to activate stolen credit cards.

The public expects, and rightfully so, that the Government should prevent SSN misuse and provide the necessary remedies for those that are victimized. The public's growing concern is reflected in the large number of allegations the SSA Fraud Hotline receives. In FY 1999, the Fraud Hotline processed over 75,000 allegations. Of these, 30,000 represented allegations involving SSN misuse, and another 32,000 involved SSA program fraud with SSN misuse implications. Over 80 percent of the allegations and referrals made to the OIG involved the misuse of an SSN. We anticipate this number will continue to grow unless SSA and the Congress take firm action to regulate the uses of SSNs. While implementing such a law is by no means an easy task, it becomes more and more daunting with each passing day and each new use (or misuse) to which SSNs are subjected.

In FY 2001, we will complete two reviews in this area.

We will complete the following reviews in FY 2001

Fraudulent Attainment And Use of Replacement Social Security  
Number Cards

G-1

Obstacles to Reducing Social Security Number Misuse in the  
Agriculture Industry

G-2



# Fraudulent Attainment and Use of Replacement Social Security Number Cards

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## Planned Start

Carry Over

## Objective

To determine (1) whether controls within SSA's enumeration system prevent the fraudulent attainment and/or misuse of replacement/duplicate SSN (SSN) cards and (2) how individuals may have used fraudulently attained replacement SSN cards.

## Background

In FY 1999, SSA issued approximately 16.4 million SSN cards, of which 10.8 million (66 percent) were replacements/duplicates. The SSN has long played a major role in American society. Recently, however, the SSN has also been used to commit crimes against businesses, the Government, and private citizens. Specifically, SSNs have been used in identity fraud schemes. Recent OIG audits and investigations have found significant weaknesses in SSA's enumeration process that allow the fraudulent attainment of original SSNs. Based on our recommendations, SSA has planned and implemented several initiatives to address these weaknesses. We are encouraged by SSA's commitment and progress in responding to concerns regarding fraudulent attainment of original SSNs. However, we believe there could also be vulnerabilities in SSA's process for issuing replacement and duplicate SSN cards that our audits and SSA's initiatives have not yet addressed.

To obtain a replacement/duplicate SSN card, SSA policies require an individual to complete an *Application for a Social Security Card* (Form SS-5) and present, at a minimum, proof of the applicant's identity. Additionally, if the applicant wishes to change any information on the card or accompanying SSA record (for example, the applicant's last name) the applicant must present documentation evidencing the validity of the change (for example, a marriage license or court order). SSA does not charge applicants a fee to obtain a replacement/duplicate SSN card. SSA also does not impose a limit on the number of replacement/duplicate SSN cards a number holder can obtain over a specified period.

# **Obstacles to Reducing Social Security Number Misuse in the Agriculture Industry**

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## **Planned Start**

Carry Over

## **Objective**

To assess the potential for misuse of SSN within the agriculture industry.

## **Background**

One of SSA's most important responsibilities is to maintain records of wage amounts employers pay individuals. To facilitate this responsibility, SSA created SSNs as a method of maintaining individual earnings records and issued workers cards as a record of their SSN.

Because SSA calculates future benefit payments based on the earnings an individual has accumulated over his or her lifetime, accuracy in recording those earnings is critical. SSA's ability to do so, however, greatly depends on employers and employees correctly reporting names and SSNs on Form W-2s (Wage and Tax Statements). As such, SSA provides employers information and services to help them with this responsibility. For example, SSA offers employers an Enumeration Verification System that provides a mechanism to match employees' names and SSNs with SSA records.

SSA also uses over 20 automated edits to match employees' names and SSNs and properly credit their earnings to the Master Earnings File. SSA places wage items that fail to match name and SSN records into its Earnings Suspense File (ESF). From 1996 through 1998, the ESF grew by an average of 6.6 million wage items and \$27.4 billion, annually. To address this growth, SSA developed an ESF tactical plan, which it issued in draft in 1997 and finalized in March 1999. This plan outlines the policy, operational, and system improvements SSA believes are necessary to fulfill its commitment to reduce the ESF's growth and size.

SSN misuse often occurs when an individual provides an employer with an SSN that either has (1) never been issued or (2) already been assigned to another person. Individuals use SSNs illegally for a variety of reasons, one of which is to obtain employment. SSA efforts to address SSN misuse require coordination with, and/or assistance from, other Federal agencies, such as the Internal Revenue Service and the Immigration and Naturalization Service.

## Issue Area

8

# Representative Payee

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*Given the risk of representative payee misuse and the vulnerability of the beneficiaries, it is imperative that SSA have appropriate safeguards to ensure representative payees meet their responsibilities to use the funds for the beneficiaries' benefit.*

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits. Representative payees (organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the risk of representative payee misuse and the vulnerability of the beneficiaries, it is imperative that SSA have appropriate safeguards to ensure representative payees meet their responsibilities to use the funds for the beneficiaries' benefit.

Since 1996, our audits have identified numerous weaknesses in the selection, monitoring and accountability of representative payees, and our investigations have provided examples of representative payees who have taken advantage of vulnerable beneficiaries. Specifically, SSA has developed an expanded on-site review program of certain representative payees. This program consists of:

**6-Month Site Visits**—SSA will conduct an initial site visit 6 months after a fee-for-service payee is appointed.

**Triennial On-site Reviews**—SSA will conduct on-site reviews of all of the approximate 855 fee-for-service representative payees, all volume organizational payees (over 100 beneficiaries), and all individual payees serving 20 or more beneficiaries.

**Random Reviews**—SSA will conduct reviews of a random sample of 30 percent of all volume organizational payees and fee-for-service payees.

**Quick Response Checks**—SSA will conduct reviews of organizational payees as needed in response to certain “trigger” events, such as third-party reports of misuse, complaints from vendors of failure to receive payment, failure to complete the annual accountability report.

Recent public hearings indicate the Congress is concerned about SSA's Representative Payment program.

In FY 2001, we will complete eight reviews and begin four reviews in this area.

We will complete the following reviews in FY 2001

High-Risk Representative Payees	H-1
Financial-Related Audit: Fee-for-Service Representative Payees (2)	H-2
Financial-Related Audit: Individual Representative Payees (2)	H-3
Financial-Related Audit: Non-Fee-for-Service Representative Payees (2)	H-4
Roll-Up Report: Financial-Related Audits of Representative Payees for the Social Security Administration	H-5

We will begin the following reviews in FY 2001

Follow-up: Monitoring Representative Payee Performance: Non-Responding Payees  
Questionable Representative Payees  
Representative Payee's Refund of Conserved Funds  
The Social Security Administration's On-site Reviews of Representative Payees

# High-Risk Representative Payees

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## Planned Start

1<sup>st</sup> Quarter FY 2001

## Objective

To identify common characteristics (trends/indicators) among representative payees that can be used to detect potential high-risk representative payees.

## Background

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits. Representative payees (institutions, organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the risk of representative payee misuse and the vulnerability of the beneficiaries, it is imperative that SSA have appropriate safeguards to ensure representative payees meet their responsibilities. Since 1996, our audits have identified numerous weaknesses in the monitoring and accountability of representative payees, and our investigative work provides examples of representative payees who have taken advantage of vulnerable beneficiaries.

In FY 2000, SSA's oversight of its representative payees has received heightened visibility by the media and the Congress. The media publicized alleged wrongdoings of some representative payees. For example, the Aurora Foundation, was the subject of a January 2000 television newsmagazine segment entitled, *When Nobody's Looking*. In addition, an October 10, 1999 article in the Charleston Sunday Gazette-Mail questioned certain actions alleged to have occurred at a group home administered by an SSA appointed representative payee. In May 2000, congressional hearings were held focusing on the Representative Payment program.

## **Financial-Related Audit: Fee-for-Service Representative Payees**

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**We will be conducting two audits in this area**

### **Planned Start**

1<sup>st</sup> Quarter FY 2001

### **Objective**

To determine whether (1) Representative payees have effective safeguards over the receipt and disbursement of Social Security benefits and (2) Social Security benefits are used and accounted for in accordance with SSA policies and procedures.

### **Background**

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits. Representative payees (institutions, organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the risk of representative payee misuse and the vulnerability of the beneficiaries, it is imperative that SSA have appropriate safeguards to ensure representative payees meet their responsibilities. Since 1996, our audits have identified numerous weaknesses in the monitoring and accountability of representative payees, and our investigative work provides examples of representative payees who have taken advantage of vulnerable beneficiaries.

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## **Financial-Related Audit: Individual Representative Payees**

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**We will be conducting two audits in this area.**

### **Planned Start**

1<sup>st</sup> Quarter FY 2001

### **Objective**

To determine whether (1) Representative payees have effective safeguards over the receipt and disbursement of Social Security benefits and (2) Social Security benefits are used and accounted for in accordance with SSA policies and procedures.

### **Background**

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits. Representative payees (institutions, organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the risk of representative payee misuse and the vulnerability of the beneficiaries, it is imperative that SSA have appropriate safeguards to ensure representative payees meet their responsibilities. Since 1996, our audits have identified numerous weaknesses in the monitoring and accountability of representative payees, and our investigative work provides examples of representative payees who have taken advantage of vulnerable beneficiaries.

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## **Financial-Related Audit: Non-Fee-for-Service Representative Payees**

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**We will be conducting two audits in this area.**

### **Planned Start**

1<sup>st</sup> Quarter FY 2001

### **Objective**

To determine whether (1) Representative payees have effective safeguards over the receipt and disbursement of Social Security benefits and (2) Social Security benefits are used and accounted for in accordance with SSA policies and procedures.

### **Background**

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits. Representative payees (institutions, organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the risk of representative payee misuse and the vulnerability of the beneficiaries, it is imperative that SSA have appropriate safeguards to ensure representative payees meet their responsibilities. Since 1996, our audits have identified numerous weaknesses in the monitoring and accountability of representative payees, and our investigative work provides examples of representative payees who have taken advantage of vulnerable beneficiaries.

In FY 2000, SSA's oversight of its representative payees has received heightened visibility by the media and the Congress. The media publicized alleged wrongdoings of some representative payees. For example, the Aurora Foundation, was the subject of a January 2000 television newsmagazine segment entitled, *When Nobody's Looking*. In addition, an October 10, 1999 article in the Charleston Sunday Gazette-Mail questioned certain actions alleged to have occurred at a group home administered by an SSA appointed representative payee. In May 2000, congressional hearings were held focusing on the Representative Payment program.



# **Roll-Up Report: Financial-Related Audits of Representative Payees for the Social Security Administration**

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## **Planned Start**

1<sup>st</sup> Quarter FY 2001

## **Objective**

We are initiating six financial-related audits of representative payees. The objectives of our reviews will be to determine whether representative payees have effective safeguards over the receipt and disbursement of Social Security benefits; and whether Social Security benefits are used and accounted for in accordance with SSA policies and procedures.

## **Background**

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits. Representative payees (organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the risk of representative payee misuse and the vulnerability of the beneficiaries, it is imperative that SSA have appropriate safeguards to ensure representative payees meet their responsibilities.

## Issue Area

9

### Service to the Public

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*If predicted shortages in human capital are realized, SSA may not be able to strengthen and revitalize future employee ranks as its workloads continue to grow in volume and complexity.*

Providing quality service to the public remains a critical management issue facing SSA. SSA recognizes there are a number of significant service delivery problems that need attention. One is the complexity of the programs SSA administers. Another is the steady reduction in staffing since 1982 resulting in an aging and work-laden workforce. SSA's workloads will continue to increase as baby boomers reach retirement age challenging SSA to find ways to keep pace. As reported by the Social Security Advisory Board, the result has been, and will continue to be, uneven service. Persons filing for retirement or survivors benefits are likely to be satisfied with the service provided. However, individuals with complicated cases may encounter problems. Most often, it is a Disability Insurance or Supplemental Security Income recipient. But others can be affected as well. As workloads increase, the dimensions of SSA's problems can be expected to grow if left unattended, and the public will be faced with crowded reception areas, long waiting times, inadequate telephone service, and reduced quality of work.

To meet future customer demands, SSA needs to maintain existing service levels while exploring new and innovative ways to address service delivery problems. To accomplish this, SSA must recruit and retain a cadre of highly skilled employees. However, even at current staffing levels, SSA finds it difficult to maintain an acceptable level of customer service especially in its most complicated workloads. To make matters worse, SSA is facing an unusual wave of management and staff retirements. At the same time, the Agency may find it difficult to replace employee losses as the Nation's labor force of people between the ages of 25 to 44 is expected to shrink. If predicted shortages in human capital are realized, SSA may not be able to strengthen and revitalize future employee ranks as its workloads continue to grow in volume and complexity. Increasing workloads coupled with human capital shortages will further stress SSA's ability to provide quality service to the public.

In FY 2001, we will complete 12 reviews and begin 14 reviews in this area.

## We will complete the following reviews in FY 2001

Concerns Regarding Disability Determination Services' Budget Execution and Reporting	I-1
Fiscal Year 2000 Financial Statement Oversight Audit	I-2
Follow-Up: Official Time for Union Activities	I-3
The Social Security Administration's Fiscal Year 2000 Management Letter	I-4
Processing Case Folder Requests from Field Offices, Disability Determination Services and the Office of Hearings and Appeals	I-5
Summary Report: Quick Response Activities	I-6
The Social Security Administration's Management of the Federal Employees' Compensation Act Program	I-7
State Disability Determination Services Administrative Costs for Arizona	I-8
State Disability Determination Services Administrative Costs for Connecticut	I-9
State Disability Determination Services Administrative Costs for New York	I-10
State Disability Determination Services Administrative Costs for Oregon	I-11
State Fiscal Year 1998 Single Audit Findings	I-12

## We will begin the following reviews in FY 2001

State Fiscal Year 1998 Single Audit Findings Impacting the Social Security Administration's Programs
State Fiscal Year 1999 Single Audit Findings
Fiscal Year 2001 Financial Statement Oversight Audit
State Disability Determination Services Administrative Costs for Georgia
State Disability Determination Services Administrative Costs for Texas
Appeals Council Action on Old Cases
Human Capital Planning
Survey of the Social Security Administration's Management of Human Capital at Field Offices
Waiving Title XVI Overpayments
Write-Off of Title XVI Overpayments—Bankruptcy and Death
Review of the Social Security Administration's Beneficiary Re-contact Program for Detecting Unreported Marriages of 15-17 Year-Old Dependent Children
Effect of Medicare Work on the Office of Hearings and Appeals
State Fiscal Year 1999 Single Audit Findings Impacting the Social Security Administration's Programs
Targeted Reviews to Improve Retirement and Survivors Insurance and Supplemental Security Income Payment Accuracy

# Concerns Regarding Disability Determination Services' Budget Execution and Reporting

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## Planned Start

Carry Over

## Objective

To review SSA's policies and procedures for Disability Determination Services' (DDS) budget execution and reporting of obligations.

## Background

SSA is primarily responsible for implementing the general policies for developing Disability Insurance (DI) and Supplemental Security Income (SSI) disability claims. Disability determinations under both DI and SSI are performed by an agency in each State according to SSA regulations. SSA pays the DDS for 100 percent of allowable expenditures. Each year, SSA determines the amount of funding authorization. At the end of each quarter of the Federal fiscal year, each DDS submits a Form SSA-4513 reporting the obligations incurred.

This audit originated from our audit of the administrative cost claimed by the Ohio DDS (*Audit of Administrative Costs Claimed by the Ohio Rehabilitative Services Commission for Its Bureau of Disability Determinations*). During that audit, we were unable to determine the allowability of \$4.3 million in obligations for electronic data processing and other equipment purchased after the expiration of the Federal fiscal year. Some of the purchase orders for the equipment were issued up to 3 years after the close of the Federal fiscal years. It was unclear to us if the time limitation for annual appropriations applied to the DDS.

# **Fiscal Year 2000 Financial Statement Oversight Audit**

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## **Planned Start**

Carry Over

## **Objective**

To fulfill our responsibilities under the Chief Financial Officers Act and related legislation for ensuring the quality of the audit work performed, we will monitor PricewaterhouseCooper's (PwC) audit of SSA's FY 2000 financial statements by:

- reviewing PwC's approach and audit planning;
- evaluating the qualifications and independence of its auditors;
- monitoring the progress of the audit at key points;
- examining PwC's working papers related to planning the audit and assessing SSA's internal control;
- reviewing PwC's audit report to ensure compliance with *Government Auditing Standards* and Office of Management and Budget Bulletin 98-08, *Audit Requirements for Federal Financial Statements*, as amended;
- coordinating the issuance of the audit report; and
- performing other procedures that we deemed necessary.

## **Background**

The Chief Financial Officers Act of 1990 requires agencies to annually prepare audited financial statements. Each agency's Inspector General is responsible for auditing these financial statements to determine whether they provide a fair representation of the entity's financial position. This annual audit also includes an assessment of the agency's internal control structure and its compliance with laws and regulations. The audit work to support this opinion of SSA's financial statement will be performed by PwC. We will monitor the contract to ensure reliability of PwC's work to meet our statutory requirements for auditing the Agency's financial statements.

## **Follow-up: Official Time for Union Activities**

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### **Planned Start**

1<sup>st</sup> Quarter FY 2001

### **Objective**

To determine the extent to which SSA has acted in response to a previous OIG report on the use of official time for union activities. Specifically, our follow-up will consist of:

- Evaluating SSA's management oversight of official time activities.
- Evaluating the adequacy of the internal controls in SSA's new Official Union Time Tracking System (OUTTS) for recording and reporting official time.

### **Background**

In a July 10, 1998 report to the Congress, we identified weaknesses with SSA management's oversight of official time. We specifically reported that SSA's controls over the processing and reporting of official time were not adequate to provide reasonable assurance the data reported to Congress were reliable.

In response to our recommendations, SSA has reported corrective actions consisting of:

- Implementing OUTTS as its automated time-reporting system.
- Maintaining a list of union representatives, distributing uniform time-reporting policies and procedures and conducting reviews of official time.
- Publishing and disseminating Agency-wide the Official Time/Partnership Yearbook, which clearly defines Partnership as well as time reporting policies and procedures.

# **The Social Security Administration's Fiscal Year 2000 Management Letter**

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## **Planned Start**

4<sup>th</sup> Quarter FY 2001

## **Objective**

To examine the status of implementation of SSA's recommendations in SSA's FY 2000 financial statements Management Letter.

## **Background**

The Chief Financial Officers Act of 1990 requires that agencies annually prepare audited financial statements. Each agency's Inspector General is responsible for auditing these financial statements to determine whether they provide a fair representation of the entity's financial position. This annual audit also includes an assessment of the Agency's internal control structure and its compliance with laws and regulations. An independent contractor will perform the audit work to support this opinion of SSA's financial statement. We will monitor the contract to ensure the reliability of the contractor's work to meet our statutory requirements for auditing the Agency's financial statements.

Our annual audit of SSA's financial statements sometimes identifies conditions that do not have a material impact on the financial statements. As such, the Management Letter is our vehicle for communicating such matters to SSA management. For FY 2000, an independent certified public accounting firm will perform the fieldwork for the financial statement audit and any related Management Letter reporting. We will monitor the contract to ensure all relevant issues are brought to management's attention.

# **Processing Case Folder Requests from Field Offices, Disability Determination Services and the Office of Hearings and Appeals**

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## **Planned Start**

Carry Over

## **Objective**

To determine the cause for missing case files and its effect on SSA's operations.

## **Background**

Three major SSA storage facilities maintain all title II and title XVI records for beneficiaries. SSA operational components routinely request records from these sites to facilitate post-entitlement actions. These facilities also automatically ship beneficiaries files needed for activities such as system scheduled continuing disability reviews. Previously, the OIG and other SSA customers at field offices, State Department of Disability Services, and Offices of Hearings and Appeals have experienced problems in obtaining large numbers of needed files. Without needed records post-entitlement actions can be unnecessarily delayed and the quality of detailed case evaluations may be adversely impacted.



## **Summary Report: Quick Response Activities**

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### **Planned Start**

Carry Over

### **Objective**

To address requests from the Congress, SSA management, and the public in a rapid, comprehensive, and accurate manner.

### **Background**

In addition to audits and evaluations, the Office of Audit is often called upon to respond to special inquiries. These efforts are short-duration, time-sensitive projects that address requests from the Congress, senior SSA officials, beneficiaries, Federal agencies, and others. From October 1999 through March 2000, the Quick Response Team completed eight congressional inquiries, two SSA management inquiries, two inquiries requested by other Federal agencies, and four inquiries requested by beneficiaries or other members of the public. Some of the issues covered included safeguards over SSN cards, trust fund Investments, and the effect of another Federal pension on Supplemental Security Income payments.

# **The Social Security Administration's Management of the Federal Employees' Compensation Act Program**

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## **Planned Start**

Carry Over

## **Objective**

To assess SSA's management of its Federal Employees' Compensation Act (FECA) program.

## **Background**

FECA is administered by the Department of Labor (DoL) and authorizes the payment of medical expenses and compensation for wages to all Federal employees disabled by job-related injuries or illness. DoL is responsible for providing overall guidance for FECA policy, including decisions to award benefits and case management. DoL reviews medical information, pays claims, and monitors employee medical status. DoL coordinates with the employee's agency to determine whether the employee can return to work. DoL accumulates payment information on medical and compensation claims for each case and submits chargeback billing reports to each agency for reimbursement.

SSA assists employees in filing claims, facilitates the processing of claims in coordination with DoL, and monitors the employee's medical status to return the employee to work as soon as possible. Presently, SSA and DoL's Office of Workers' Compensation Payments independently maintain FECA case files, process information, and follow up on third-party determination.

Our May 25, 1995 report, *Review of the Social Security Administration's Management of Claims Filed Under the Federal Employees' Compensation Act*, found that SSA did not verify the information in the chargeback report; establish procedures to determine whether employees could return to work; adopt procedures to ensure FECA claims are handled on a timely basis; and implement procedures requiring the investigation of third-party liability.

We recommended that SSA review:

- the chargeback report to ensure all claimants were SSA employees at the time of injury and that the charges were correct,
- cases to return employees to gainful employment as soon as possible,
- its operations to ensure that claims were filed timely, and
- all cases for potential third-party liability and track recoveries of overpayments by DOL.

SSA concurred with our recommendations.

# State Disability Determination Services Administrative Costs for Arizona

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## Planned Start

Carry Over

## Objective

To review the State Disability Determination Services' administrative costs to (1) determine whether costs claimed on the SSA financial reports (*State Agency Report of Obligations for SSA Disability Programs* Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's disability determinations; and (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as of the draw down of Federal funds.

## Background

The Disability Insurance program was established in 1956 under title II of the Social Security Act. Title II is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, the Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind or disabled.

Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligation, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# State Disability Determination Services Administrative Costs for Connecticut

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## Planned Start

Carry Over

## Objective

To review the State Disability Determination Services' administrative costs to (1) determine whether costs claimed on the SSA financial reports (*State Agency Report of Obligations for SSA Disability Programs* Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agrees with total expenditures for the fiscal year's disability determinations; and (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as of the draw-down of Federal funds.

## Background

The Disability Insurance program was established in 1956 under title II of the Social Security Act. Title II is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, the Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind or disabled.

Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligation, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# State Disability Determination Services Administrative Costs for New York

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## Planned Start

Carry Over

## Objective

To review the State Disability Determination Services' administrative costs to (1) determine whether costs claimed on the SSA financial reports (*State Agency Report of Obligations for SSA Disability Programs* Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's disability determinations; and (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as of the draw-down of Federal funds.

## Background

The Disability Insurance program was established in 1956 under title II of the Social Security Act. Title II is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, the Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind or disabled.

Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligation, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# State Disability Determination Services Administrative Costs for Oregon

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## Planned Start

Carry Over

## Objective

To review the State Disability Determination Services' administrative costs to (1) determine whether costs claimed on the SSA financial reports (*State Agency Report of Obligations for SSA Disability Programs* Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's disability determinations; and (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as of the draw-down of Federal funds.

## Background

The Disability Insurance program was established in 1956 under title II of the Social Security Act. Title II is designed to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, the Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind or disabled.

Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligation, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

## State Fiscal Year 1998 Single Audit Findings

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### Planned Start

Carry Over

### Objective

To compile and categorize Disability Determination Services (DDS) findings reported by the States in their State FY 1998 single audits.

### Background

On July 5, 1996, the President signed the Single Audit Act Amendments of 1996 to establish uniform requirements for audits of Federal awards administered by States, local Governments, Indian tribal governments, and non-profit organizations. On June 30, 1997, the Office of Management and Budget issued revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, to implement the 1996 amendments.

There are 54 DDSs located in the 50 States, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands. All DDSs are subject to the Single Audit Act except for the federally administered Virgin Islands DDS.

## Issue Area

10

# Systems Security and Controls

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*Strong systems security and controls are needed to prevent access to confidential information and critical systems and the fraudulent use of SSA data.*

The importance of computer system security increases as opportunities for users to disrupt critical systems, modify key processes, and read or copy sensitive data increases. Strong systems security and controls are needed to prevent access to confidential information and critical systems and the fraudulent use of SSA data.

SSA continues to address systems vulnerabilities that could lead to unauthorized access or sabotage. After auditing SSA's FY 1998 Financial Statements, a public accounting firm noted three major system deficiencies including weaknesses in protecting information and ensuring separate functional responsibilities. Since 1998, SSA has strengthened and improved controls in those areas.

In auditing the FY 1999 Financial Statements, the public accounting firm reported the 1998 deficiencies no longer had to be reported as material weaknesses under the Federal managers' Financial Improvement Act. SSA is enhancing processes to ensure debt collection resumes when terminated benefits are reinstated, and it is creating a comprehensive data base to store daily transactions for integrity review purposes. The data base will enable the integrity review process to examine transactions as they affect multiple rather than single applications. SSA is also developing a comprehensive data base to provide one source for information on incidents of fraud, waste, and abuse.

In FY 2000, we audited the SSA Systems Security Program, systems security software, suitability process and Intelligent Work Station/Local Area Network. We found SSA did not show it reviews sensitive systems timely, terminate access to critical processes when access is no longer needed, or consistently perform required background checks of systems employees. We also found that employees had access to sensitive information above what was required to perform their work-related duties.

We again monitored a public accounting firm's annual audit of certain critical systems. The firm recommended that SSA continue to improve its comprehensive systems security plan, strengthen system password requirements, and establish a security program for its Internet environment.

In January 2000, the White House released the National Plan for Information Systems Protection, revealing Federal efforts to protect the Nation's information systems and critical assets from future attacks.

In FY 2001, we will complete seven reviews and begin eight reviews that address SSA's compliance with the National Plan.



## We will complete the following reviews in FY 2001

Access to the Federal Personnel and Payroll System	J-1
Controls over Recording Supplemental Security Income Overpayments	J-2
Controls to Prevent and Detect Direct Deposit Fraud	J-3
Employee Access to the Earnings Record Maintenance System	J-4
Old-Age, Survivors and Disability Insurance Payments to Deceased Auxiliary Beneficiaries	J-5
Redeterminations for Supplemental Security Income Receipts Attaining Age 18	J-6
Review of the Cost-Effectiveness Measurement System	J-7

## We will begin the following reviews in FY 2001

Follow-up of the Social Security Administration's Implementation of Drug Addiction and/or Alcoholism Provisions

Follow-up on Prior Prisoner Audit

Data Provided to the Social Security Administration by State Disability Determination Services

Controls over the Social Security Administration's Human Resources Information

Private Branch Exchange Security

Monitoring of Network Security and Intrusion Detection

Physical Security at the National Computer Center

Review of Security over Remote Access to the Social Security Administration's Main Processing Environment

# **Access to the Federal Personnel and Payroll System**

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## **Planned Start**

Carry Over

## **Objective**

To evaluate SSA's internal controls to access the Federal Personnel and Payroll System (FPPS).

## **Background**

On March 29, 1998, the Department of Interior (DOI) assumed responsibility for SSA's payroll processing. On January 22, 1999, per Interagency Agreement (IAA), DOI also assumed responsibility for payroll and associated personnel support services. DOI uses FPPS, an on-line, integrated personnel and payroll system, to process all personnel and pay-related functions. FPPS operates on an IBM mainframe computer in a data base environment. FPPS access requires users to log on to the DOI IBM computer system with a valid user identification and user-created password. Users can only access the data within their area of responsibility. SSA's access to FPPS is controlled by SSA's TOP SECRET facility. SSA security staff reviews and approves security applications and grants TOP SECRET personal identification numbers and profiles. SSA's access to FPPS is regionalized, with one individual designated the FPPS security specialist, an ad hoc duty.

# **Controls Over Recording Supplemental Security Income Overpayments**

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## **Planned Start**

Carry Over

## **Objective**

To determine whether SSA's internal controls are adequate to ensure Supplemental Security Income (SSI) overpayments on closed records are identified and pursued for collection from current payments.

## **Background**

SSA considers an individual overpaid when he or she receives an amount for any period that exceeds the total amount that should have been paid for that period. SSA initiates collection activities when an overpayment is recorded on the recipient's Supplemental Security Record (SSR). In many cases, the overpayments are recorded at the same time the recipient becomes ineligible for SSI payments and their benefits are suspended or terminated. Once a recipient's benefits are terminated, the recipient must reapply to receive benefits again. If the recipient is determined to be eligible for benefits, a new SSR is created and the prior SSR is retained for historical data only. When this occurs, any outstanding overpayments recorded on the prior SSR must be carried forward to the new SSR for collection activities to be initiated and for recoveries to be made against the benefits being paid on the new SSR.

During a prior review, we found cases where recipients were receiving full benefit payments although they had outstanding overpayments on their closed, prior SSRs. These individuals were receiving full payments because the overpayments on their closed SSRs were not carried forward to their new, open SSRs. In February 2000, we obtained an extract of records for over 16 million SSI recipients who had overpayments on their SSRs. Through computer analysis, we determined that about 38,000 SSI recipients receiving benefit payments appear to have overpayments of about \$101 million on prior SSRs that were carried forward to their new SSRs.

# Controls to Prevent and Detect Direct Deposit Fraud

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## Planned Start

Carry Over

## Objective

To assess the effectiveness of SSA's controls over the prevention and detection of direct deposit fraud to which SSA is vulnerable under initiatives to expand telephone and electronic services to customers.

## Background

SSA has key performance initiatives to expand the types and increase the timeliness of services provided to customers using the telephone and other electronic means. In implementing these initiatives, SSA is subject to statutory requirements contained in the Privacy Act of 1974, the Computer Security Act of 1987, and Office of Management and Budget Circular A-130, *Management of Federal Information Resources*. These criteria require assurance that cost-effective security measures are in place and functioning to protect the confidentiality, integrity, and availability of sensitive information in Federal systems.

SSA offers many services to customers through SSA's "1-800" service. The customer's call is routed to one of SSA's 36 teleservice centers where staff takes beneficiary information over the telephone and initiates a transaction. The types of transactions currently allowed by phone include change of address, change of direct deposit information, and reporting the death of a beneficiary. The SSA teleservice center staff requires the caller to provide specific personal information pertaining to the beneficiary to verify the caller's identity before proceeding with the transaction. In addition to phone-initiated transactions, SSA is affiliated with the QuickStart direct deposit enrollment program. This program facilitates a beneficiary's enrollment for direct deposit of their Federal benefits. QuickStart enables a beneficiary to initiate new direct deposit transactions through a participating financial institution, bypassing direct involvement with SSA staff. The financial institution is responsible for electronic transmission of the transaction to SSA.

Expansion of telephone and electronic services to customers improves SSA's responsiveness to customer needs, but it also provides opportunity for imposters to initiate unauthorized transactions to divert beneficiary payments. SSA must be alert to vulnerabilities in this environment and ensure that effective automated and manual controls are in place and functioning to reasonably prevent the opportunity for fraud and detect fraud in a timely manner. Without such controls, beneficiaries who rely on timely receipt of SSA benefits to sustain their daily lives could be in jeopardy.

# **Employee Access to the Earnings Record Maintenance System**

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## **Planned Start**

Carry Over

## **Objective**

To determine whether SSA's employee access to Earnings Record Maintenance System is appropriately assigned based on job duties and responsibilities.

## **Background**

Recent media attention and prior OIG audits have spurred public and congressional concerns that information protection-related weaknesses subject sensitive SSA information (for example, SSNs and benefits) to potential unauthorized access, modification, and disclosure.

The Earnings Record Maintenance System is comprised of several subsystems that edit, balance, validate, and post employee wages, self-employment earnings, and adjustments to employee wages to the Master Earnings File. SSA uses earnings histories to determine eligibility for retirement, survivors, disability, and health insurance benefits under titles II, XVI, and XVIII of the Social Security Act.

SSA uses TOP SECRET, a commercial access control software package, to define and control a variety of access levels across SSA systems, including earnings record maintenance applications. TOP SECRET controls user access by assigning profiles—sets of common access authorizations defined for a group of users—that the Security Administrator grants to users. Our review will ensure personnel are prohibited from accessing unneeded screens and edit functions by proper assignment of TOP SECRET profiles.

# Old-Age, Survivors and Disability Insurance Payments to Deceased Auxiliary Beneficiaries

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## Planned Start

Carry Over

## Objective

To determine whether SSA has adequate procedures to ensure that Old-Age, Survivors and Disability Insurance (OASDI) benefits are terminated when death notices are received for auxiliary beneficiaries.

## Background

Section 205(r) of the Social Security Act requires that the SSA match States' death records against SSA payment records to identify and prevent erroneous payments after death. In addition, SSA matches death records from other Federal, State and local public assistance agencies. SSA uses the Death Alert, Control, and Update System (DACUS) to receive death data from external and internal sources, to process that information against SSA's records and to post the date of death to its Numident file.

The purpose of DACUS is to (1) ensure all types of benefits to deceased beneficiaries are terminated, if appropriate and (2) produce a national file of death information known as the Death Master File. The function of DACUS is to:

- receive death reports from various sources;
- compare the date of death to SSA's records to detect conflicting information or incorrect payments made after a beneficiary's death;
- post death information to SSA's Death Master File; and
- generate, control and follow up on alerts to SSA field staff if there is conflicting data with or among the payment records.

In two deceased payee cases recently investigated by the OIG, Office of Investigations (OI), individuals were receiving widow's benefits, even though they were deceased and SSA's Numident file contained their death records. SSA's DACUS matching operation had not identified these auxiliary beneficiaries as receiving payments after death. Based on the results of these two cases, OI initiated a pilot project to address potential vulnerabilities in SSA's State death match as it relates to widow's benefits. OI's project identified 37 auxiliary beneficiaries receiving payments in Connecticut whose payments continued despite their deaths being on SSA's Numident file. To date, OI has verified the deaths by obtaining death certificates for 11 of these 37 beneficiaries. These 11 beneficiaries were receiving over \$7,000 in monthly benefits, and we have identified about \$190,000 in overpayments. The remaining 26 investigations are on-going.

# Redeterminations for Supplemental Security Income Receipts Attaining Age 18

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## Planned Start

Carry Over

## Objective

To determine whether SSA has conducted eligibility redeterminations in a timely manner using adult eligibility criteria for beneficiaries who attained age 18 since Public Law 104-193 was enacted.

## Background

The Social Security Independence and Program Improvement Act of 1994 (Public Law 103-296) requires SSA to redetermine the Supplemental Security Income (SSI) eligibility of at least one-third of all childhood SSI recipients who reach age 18 after April 1995 during the 1-year period following attainment of age 18.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193) requires SSA to redetermine, within 1 year of the individual's 18<sup>th</sup> birthday, the eligibility of any individual who was eligible for SSI childhood benefits in the month in which the individual attains age 18. The Law requires medical redeterminations be performed using the adult disability criteria for initial claims.

The Balanced Budget Act of 1997 (Public Law 105-33) extended the period of review to more than 1 year after the individuals 18<sup>th</sup> birthday. The effect of this change is to eliminate the time limits on SSA to initiate an age-18 disability redetermination only during the 1-year period following the individual's 18<sup>th</sup> birthday. However, for this audit, we considered an age-18 redetermination to have been performed timely if it was completed within 1 year of the individuals 18<sup>th</sup> birthday (the time requirement specified in Public Law 104-193).

The age-18 redetermination process begins with SSA's Central Office releasing the case to the field office through its automated system. The Central Office's system automatically selects the case if the individual attains age 18 in the fiscal year in which the selection is being made. When conducting an age-18 redetermination, the field office staff will conduct the disability interview in the same manner as for an initial claim, except that they will not take a new application and will not develop medical information back to the original disability onset date. After the field office completes its work, it will send the case to the Disability Determination Services. Disability will be evaluated using the initial adult standard.

# **Review of the Cost-Effectiveness Measurement System**

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## **Planned Start**

Carry Over

## **Objective**

To assess the accuracy and use of Cost-Effectiveness Measurement System (CEMS) data.

## **Background**

The CEMS data provide for the measurement of the costs of operating each Disability Determination Service (DDS) as well as methodology for determining the relative cost-effectiveness of each DDS. The CEMS management reports are particularly significant because they provide the basis for the eventual establishment of formal cost standards for the States. DDSs are responsible for entering cost data into CEMS each quarter.

As currently structured, the DDS CEMS data base can generate three levels of amendment reports.

Level 1 reports are designed to monitor national trends in DDS agency costs and productivity. As such, level 1 reports show total actual costs, adjusted costs, and segment total costs in five major cost pools: (1) direct personnel; (2) support personnel; (3) medical; (4) non-personnel; and (5) adjusted indirect costs.

Level 2 reports provide for summarized Level 1 report data. This tier of reporting is designed to permit further examination and analysis of DDS cost and performance. Basically, Level 2 reporting provides more detailed information regarding the component cost elements that make up each Level 1 cost pool.

Level 3 reports provide the most detailed information regarding DDS cost and productivity performance. The Level 3 reports allow for the access by the user to 46 different performance indicators.



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